

CECN340 Economics Of Human Behaviour

Term Paper: UNITED AMERICAN CORPORATION v. BITMAIN INC

Hamza Malik

Student # 501112545

Instructor: Angélique J. Bernabé

Due Date: Thursday Mar 13, 2025

Abstract

The United American Corp. v. Bitmain Inc. case raises important legal and economic questions about the application of antitrust to decentralized digital markets, with the particular illustration of cryptocurrency mining. United American Corp (UAC) claimed that Bitmain used its immense hashing capacity to determine the outcome of a Bitcoin Cash (BCH) network fork, concentrating power and suppressing competition. However, the court dismissed these claims for insufficiency of evidence of collusion, consumer harm, or exclusionary conduct, affirming that rough competition per se is not equivalent to monopolization. This paper presents an economic defence of Bitmain, demonstrating that its behaviour is in line with competitive market conduct and not monopolistic. Using economic theory such as contestable market theory, Schumpeterian creative destruction, and consumer welfare analysis, this study argues that Bitmain's temporary increase in hash power was a justified response to the uncertainty of governance and not aimed at pushing competitors out. Cryptocurrency mining is competitive and dynamic, wherein continuous technological advances and capital spending prevent any company from monopolizing the game for the long term. Furthermore, Bitmain's increased hashing power improved network security reduced the risk of 51% attacks, and improved overall market efficiency (United Am. Corp. v. Bitmain Inc., 2021). The court's ruling against UAC's accusations was justified since Bitmain's competitive conduct was aligned with economic efficiency and innovation rather than counterfeiting it, upholding the integrity of decentralized financial systems rather than destabilizing them.

Introduction

The rise of digital marketplaces has presented unique challenges to the traditional applications of antitrust laws, especially concerning nascent industries like cryptocurrency. Unlike conventional markets with centralized governance, blockchain-based industries operate within decentralized systems, where governance is provided through open-source protocols and bilateral agreements between participants in the network. This state presents unique challenges in assessing competition and market power within legal frameworks. The case of United American Corp. vs. Bitmain Inc illustrates these challenges and is a seminal example of how economic principles should inform the analysis of competitive conduct within blockchain spaces. United American Corp (UAC) brought legal action against Bitmain Inc., a leading producer of cryptocurrency mining equipment and mining pool operator, claiming that Bitmain engaged in anti-competitive practices to influence the result of a contentious BCH network fork. UAC accused Bitmain of acting anti-competitively by using its mining power to prefer Bitcoin Cash ABC (BCH ABC) over Bitcoin Cash SV (BCH SV) in an attempt to solidify its position and exclude competition. The court, however, dismissed such accusations for insufficient evidence to back a finding of collusion, exclusionary behavior, or direct injury to consumers. This paper argues that Bitmain's actions aligned with competitive market forces and did not violate antitrust laws. Using contestable market theory, Schumpeterian notions of creative destruction, and consumer welfare analyses, this discussion demonstrates that the cryptocurrency mining industry is still an open and highly competitive space where no single entity has the potential to exert monopolistic power. The ability of any actor to deploy computational resources according to individual will is central to the permissionless nature of blockchain networks. The court's ruling captures the economic reality that competitive strategies in digital markets should be judged on

standards of innovation, market responsiveness, and consumer impacts instead of strict interpretations of market power.

Background of the Case

Bitcoin Cash (BCH) was created in 2017 as a Bitcoin (BTC) hard fork for the purpose of allowing higher transaction processing through the increase in block sizes. Disagreement about upgrades, however, created a split in November 2018, resulting in the emergence of two competing chains: Bitcoin Cash ABC (BCH ABC) and Bitcoin Cash SV (BCH SV). Given that blockchain networks operate with proof-of-work (PoW) consensus, the miners were the deciding factor in which variant of the blockchain should be the majority-supported blockchain. The competition war between the chains was known as the "hash war" (Tang & Lv, 2022). Bitmain, the established mining hardware producer and miner operator, publicly endorsed BCH ABC and transferred significant hashing power to dominate BCH SV. UAC, an advocate for BCH SV, accused Bitmain of the anti-competitive act of suppressing competition and contravening U.S. antitrust law. UAC alleged Bitmain's inundation of the BCH SV network with the more powerful mining apparatus essentially predetermined the fate of the network, stifling competing blockchain protocols and annihilating smaller mining participants. Despite such allegations, the court held in favor of Bitmain because there was no illicit collusivity or exclusionary behavior (United Am. Corp. v. Bitmain Inc., 2021). The court emphasized the peculiarity of cryptocurrency markets where companies can steer their capacity without infringing competition law. Unlike typical markets in which monopolization results in restrictive accessibility to the resource or barriers to entry, blockchain chains are open per se. Miners, developers, and users all share in controlling the network so that no single participant can dominate the network.

Additionally, the court acknowledged the increase in hashing power in the short term does not constitute monopolization, particularly in a business that demands ongoing investment in capital, hardware innovation, as well as adherence to changing market conditions (Tang & Lv, 2022). Second, Bitmain's heightened hashing power positively impacted the BCH network by rendering it more secure, reducing the possibility of rogue attacks, as well as stability in the blockchain. All these aspects justify Bitmain's action to have been positive in nature and not negative to consumers or competition. The case provides a valuable precedent for the application of antitrust law to decentralized industries. The case indicates the need to distinguish between competitive conduct of a business in nature versus actual monopolistic conduct. The economic examination of Bitmain's conduct during the BCH fork substantiates the blockchain competition being evaluated in the backdrop of efficiency, innovation, as well as consumer welfare instead of conventional market concentration measures. Furthermore the development of decentralized financial markets requires the legal interpretations of the provisions of antitrust laws in order to ensure aggressive yet legal business strategies are not wrongly labeled as anti-competitive business conduct.

Economic Analysis of Bitmain's Actions

The cryptocurrency mining industry operates in a competitive market with relatively low barriers to entry and exit, which prevents any single company from achieving complete dominance (Tang & Lv, 2022). Although Bitmain's hashing power saw a temporary increase, the nature of blockchain mining ensures that long-term monopolies are unlikely. The decentralized nature of mining networks and ongoing advancements in mining technology illustrate that market changes happen naturally, in line with Schumpeterian competition, where innovation

challenges established market leaders (Bernabé, 2025, Topic 1). Additionally, the cost structures associated with blockchain mining heighten competitive pressures. Unlike traditional monopolies that can create high entry barriers through economies of scale or regulatory influence, cryptocurrency mining is accessible to anyone with adequate computational resources. The swift decline in mining hardware value, along with electricity and operational expenses, forces companies to innovate continuously to stay competitive (Bernabé, 2025, Topic 2). The principles of strategic resource allocation help explain why companies adjust their operations in response to changes in the market. For instance, electric utilities modify their power supply to meet demand spikes, while ride-sharing services implement surge pricing during busy hours. These firms utilize resource flexibility to maintain efficiency (Bernabé, 2025, Topic 4). Bitmain's choice to direct hashing power toward Bitcoin Cash ABC (BCH ABC) was not aimed at stifling competition; instead, it was a proactive step to ensure stability in a volatile blockchain environment. A crucial factor in antitrust assessments is the consumer welfare standard, which differentiates between actions that harm competitors and those that harm consumers (United Am. Corp. v. Bitmain Inc., 2021). Bitmain's actions did not disrupt transaction efficiency, increase fees, or limit access. On the contrary, the boost in hashing power reduced the risk of a 51% attack, thereby enhancing overall network security (United Am. Corp. v. Bitmain Inc., 2021). This approach aligns with economic efficiency principles, which stress the importance of optimal resource use to benefit the broader market without distorting competition (Bernabé, 2025, Topic 2). Furthermore, Bitmain's strategy is consistent with pricing models for network goods, where companies engage in temporary market interventions to promote long-term stability (Bernabé, 2025, Topic 5). Industries such as social media and software frequently use short-term aggressive strategies like offering free services, subsidizing costs, or providing incentives to gain a foothold

in the market before settling into stable operations. Similarly, Bitmain's decision to reallocate mining power was a strategic move intended to strengthen the long-term sustainability of the BCH ABC ecosystem rather than an exclusionary tactic.

Rebuttal to Plaintiff's Claims

The United American Corporation (UAC) claims that Bitmain's sudden hashing power increase constitutes monopolistic activity. However, market dominance alone does not imply monopolization until exclusionary behavior is demonstrated (Bernabé, 2025, Topic 1). The cryptocurrency mining sector is in continual motion, with enterprises regularly adapting to competitive challenges. Bitmain's decisions reflect strategic positioning rather than a goal to remove competitors (Tang & Lv, 2022). From a behavioral economics standpoint, UAC's argument oversimplifies firm decision-making. Bounded rationality implies that organizations react to available knowledge and competitive forces rather than exercising total control (Bernabé, 2025, Topic 3). Moreover, UAC fails to recognize that other mining corporations have the option to reallocate hashing power in reaction to market changes. This absence of competitive foreclosure challenges UAC's claim that Bitmain has monopolistic control (Tang & Lv, 2022). Additionally, opportunity cost concepts clearly contradict UAC's assertions. Bitmain would have faced significant financial risks if it had not redirected hashing power, including as network instability and decreased valuation (Bernabé, 2025, Topic 2). Economic rationality requires enterprises to examine the trade-offs of their decisions, and in this situation, the advantages of maintaining network stability exceed any potential anti-competitive concerns. The applications of game theory in strategic decision-making further support Bitmain's actions (Bernabé, 2025, Topic 3). Companies in competitive markets engage in strategic interactions,

with decisions impacted by internal considerations and forecasts of competitor responses. Bitmain's reallocation of mining power is consistent with the concept of Nash equilibrium, in which each participant makes the best decision while taking into account the predicted actions of others. This reinforces the idea that Bitmain operated logically in a competitive context rather than attempting to remove competitors. UAC also misinterprets the principles of price discrimination, overlooking that firms in dynamic markets adjust their pricing and resource allocation based on economic conditions (Bernabé, 2025, Topic 4). Similar to how airlines use differential pricing to enhance efficiency or how movie theaters charge different ticket prices based on demand, Bitmain's choice to shift hashing power was a typical market response to ensure system stability rather than a predatory strategy.

Conclusion

The court's ruling in favor of Bitmain is strongly supported by fundamental economic principles, demonstrating that competitive market behavior should not be mischaracterized as monopolistic conduct. The contestability of the cryptocurrency mining industry, coupled with the transient nature of Bitmain's influence, highlights that its actions were consistent with established economic frameworks rather than indicative of monopolistic control. By leveraging strategic resource allocation, network effects, economic efficiency, and game theory, Bitmain's actions align with rational market responses rather than exclusionary behavior. The firm's decision to reallocate hashing power was a calculated and justifiable strategy aimed at ensuring blockchain stability, reinforcing the argument that competition not coercion drove its market activity. Furthermore, the absence of consumer harm and the presence of alternative competitive responses highlight the robustness of the cryptocurrency mining sector. The long-term

sustainability of the BCH ABC ecosystem was strengthened, ensuring network security, efficiency, and continued decentralization. These factors collectively undermine UAC's claims and reinforce the legitimacy of Bitmain's competitive strategy. This case serves as a precedent in digital market regulation, demonstrating that innovation and competitive adaptation must be distinguished from anticompetitive conduct. The ruling confirms that sound economic reasoning must guide antitrust evaluations, preventing unnecessary regulatory intervention in decentralized financial markets. Ultimately, Bitmain's actions reflect the very principles that drive innovation, competition, and resilience within the blockchain industry.

References

Bernabé, A. J. (2025). CECN 340 - Economics of Human Behaviour: Topic 1 - The Economic Approach to Human Behaviour. Toronto Metropolitan University

Bernabé, A. J. (2025). CECN 340 - Economics of Human Behaviour: Topic 2 - Cost and Human Behaviour. Toronto Metropolitan University

Bernabé, A. J. (2025). CECN 340 - Economics of Human Behaviour: Topic 3 - Behavioural Economics and Its Limitations. Toronto Metropolitan University

Bernabé, A. J. (2025). CECN 340 - Economics of Human Behaviour: Topic 4 - Pricing Strategies: Part I. Toronto Metropolitan University

Bernabé, A. J. (2025). CECN 340 - Economics of Human Behaviour: Topic 5 - Pricing Strategies: Part II. Toronto Metropolitan University

Tang, Daolu and LV, Xueqing (2022). Hash Compute Antitrust: Theoretical Framework and Case Comment. SSRN Electronic Journal. Available at: <https://ssrn.com/abstract=4287317> or <http://dx.doi.org/10.2139/ssrn.4287317>

United Am. Corp. v. Bitmain Inc., 530 F. Supp. 3d 1241 (S.D. Fla. 2021). Available at: <https://caselaw.findlaw.com/court/us-dis-crt-sd-flo/2126011.html>