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Attorneys for Plaintiff All in Bits, Inc.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

-----X	:	
ALL IN BITS, INC.,	:	
	:	COMPLAINT
Plaintiff,	:	
	:	JURY TRIAL DEMANDED
-against-	:	
	:	
GRACE YU,	:	Civil Action No. 23-cv-2270
	:	
Defendant.	:	
	:	
-----X	:	

Plaintiff All in Bits, Inc. (“AiB” or “Plaintiff”), by and through its undersigned counsel,
as and for its Complaint against Defendant Grace Yu (“Defendant”), states as follows:

INTRODUCTION

1. AiB brings this action for breach of contract to stop Defendant's ongoing disparagement campaign in violation of a non-disparagement clause in a contract Defendant signed with AiB. AiB is committed to transparency and open-source development in the blockchain community. To defend itself against the misinformation spreading as a result of Defendant's disparagement, AiB has no choice but to bring this Complaint to stop Defendant's breaches.

2. AiB is the company behind the groundbreaking blockchain consensus technology, Tendermint, that powers the Cosmos Network. A blockchain is a decentralized public ledger. Prior to Tendermint, there were no provably secure blockchain consensus algorithms that did not rely on energy-intensive proof-of-work. Prior to Cosmos, blockchains were isolated and unable to interact with one another.

3. AiB develops innovative software used by thousands of developers across the blockchain ecosystem to connect applications and create valuable services. Because the Cosmos system builds on existing blockchains, it gives users and developers the ability to innovate and integrate into a larger network with a broader platform.

4. Cosmos is unique because it has developed strong interchain security through the Tendermint Byzantine Fault Tolerance ("BFT") engine. This Tendermint BFT engine is a crucial element of the layered design of Cosmos, an algorithm used by the network of computers running the Cosmos software to secure the network, validate transactions, and commit blocks to the blockchain.

5. The primary developer tool AiB provides is called "Ignite CLI." Ignite CLI (Command Line Interface) is a tool that accelerates the development of blockchain applications by providing a user-friendly framework. Ignite CLI is used by over a dozen blockchain projects and hundreds of developers within the Cosmos Network.

6. In October 2022, AiB contracted with Defendant, on an independent contractor basis, to provide services as a consultant for strategy and business. In this role, Defendant

provided consulting services related to a future project, named Ignite Blockchain, and its secondary underlying products and initiatives, including Ignite CLI, Ignite Ventures, and the Ignite Accelerator program.

7. Defendant provided services for AiB for only three months—from mid-October 2022 until mid-January 2023. When she began, she entered into a Consulting Agreement with AiB that contained a non-disparagement clause.

8. Despite this agreement, after AiB terminated Defendant's services under the Consulting Agreement, Defendant began an aggressive and brazen campaign to disparage AiB, its development team, and its executive team, including AiB's CEO Jae Kwon.

9. The knowingly false and disparaging statements Defendant made about AiB include:

- a. AiB is a pathological, sociopathic, and hostile organization.
- b. AiB uses unenforceable non-competes and non-disclosure agreements to bully non-English language speakers in violation of California law. In reality, AiB's contract with Defendant does not include a non-compete clause. In contracts with workers in jurisdictions that permit non-compete clauses, AiB does use them, but it has offered waivers upon request.
- c. AiB's CEO infiltrated an employee's Twitter account.

10. All of Defendant's derogatory statements are false.

11. At the same time that Defendant disparaged AiB, she was promoting a competing company in the blockchain ecosystem that was seeking millions of dollars in funding from the Cosmos community.

12. Defendant's disparaging comments parallel and amplify similar statements from others, including, but not limited to, Jacob Gadikian, Jack Zampolin, and Zaki Manian.

13. Defendant's disparagement has harmed AiB, damaging its reputation in the market and causing it to lose business opportunities.

14. AiB consequently brings this action to stop Defendant from making further

disparaging statements and to recover the losses caused by Defendant's relentless attacks.

I. PARTIES

15. AiB is, and at all times mentioned herein was, a Delaware corporation with its principal place of business in Las Vegas, Nevada.

16. Defendant is an individual. On information and belief, Defendant resides in Brooklyn, New York.

II. JURISDICTION AND VENUE

17. This Court has subject matter jurisdiction over this action, pursuant to 28 U.S.C. § 1332, because the matter in controversy exceeds the sum or value of \$75,000 and the parties are citizens of different states.

18. Venue is proper in this district, pursuant to 28 U.S.C. § 1391(b)(1), because Defendant is a resident of New York State and resides in this judicial district.

19. The Consulting Agreement that AiB and Defendant entered into states that it is to be "governed in all respects" by the laws of the state of California.

III. FACTS

A. The Cosmos Network and Ignite

20. All in Bits, Inc. was founded in 2014 by Jae Kwon under the trade name Tendermint. Tendermint's mission was to build open-source software for the purpose of solving the most difficult problems in decentralized ledger technology, otherwise known as blockchain. In and around 2016, Tendermint began working to create software that could build an interconnected blockchain network to solve issues in the cryptocurrency universe related to scalability and security. Open-source software resulting from these efforts enabled the revolutionary "Cosmos Network."

21. The Cosmos Network is the first fully free platform that enables interoperability and connections among different blockchain applications. There are currently over 270 applications and services utilizing the Cosmos Network with more than \$65 billion of digital assets in the network.

22. The Cosmos Network relies on a set of open-source tools that enable developers to build custom interoperable blockchain applications quickly. Open-source software refers to computer code that is designed to be publicly accessible so that anyone can see, modify, or use the code as they see fit.

23. The Cosmos Network promotes the free flow of information and freedom of expression and empowers users to create transparency in their community. The community ethos of the Cosmos Network is an important asset of the business that AiB has carefully cultivated since its inception.

24. AiB's goodwill and reputation are essential assets of the company and imperative to AiB's ability to maintain good relationships with the businesses and community it serves and foster new relationships.

25. In February 2022, AiB rebranded under the trade name "Ignite" to provide developer tools used to create blockchain applications within the Cosmos Network. The primary developer tool that Ignite now provides is Ignite CLI. Ignite CLI accelerates the development of blockchain applications by providing a user-friendly framework. Over a dozen blockchain projects within the Cosmos Network use Ignite CLI.

B. Defendant Was Briefly a Consultant for AiB

26. On or around October 10, 2022, Defendant and AiB entered into a Consulting Agreement ("Agreement" or "Consulting Agreement"). AiB engaged Defendant, on an independent contractor basis, for strategy and business consultant services.

27. The Agreement prohibited Defendant from, among other things, making any "disparaging, derogatory, or misleading false statements" about AiB, its products, and its directors, officers, employees, and agents during the term of the Agreement and for twelve months after its termination.

28. In relevant part, Defendant's contract provides:

The Parties shall not at any time make or cause to be made during the term of this Agreement and extending for a twelve-month period after termination of this Agreement, publicly or privately, verbally or in writing, directly or indirectly, any

defaming and/or disparaging, derogatory, misleading or false statement about the other Party or its products, or any current or former directors, officers, employees, or agents, or the business strategy, plans, policies, practices or operations of the other Party to any person or entity, including members of the investment community, press, customers, competitors, employees and advisors.

29. On January 13, 2023, AiB terminated Defendant's services under the Agreement.

30. After leaving AiB, Defendant, along with several other former workers, started Spellshape, an organization founded to develop a blockchain tool that would compete with the Ignite tools, including Ignite CLI. Spellshape sought approximately \$1,660,000 from the Cosmos community to fund its development.

C. The #FreeDenis Campaign

31. In June 2019, AiB contracted a software developer engineer named Denis Fadeev to help with the front-end operations and build developer tools. The contract was periodically extended and continued without interruption until later in March 2022 to July 2022, when AiB hired Mr. Fadeev as an employee in the role of VP of Product to define the vision, strategy, and roadmap for Ignite products and to assist developers using Ignite CLI, publicly promote Ignite CLI, and maintain Ignite CLI's source code. As of July 1, 2022, Mr. Fadeev resigned from his employment with the company and later was contracted as a consultant starting August 8, 2022.

32. When Mr. Fadeev's consulting contract dated August 8, 2022, with Ignite was terminated in January 2023, he sought to "fork" the Ignite project to start a competing application. A "fork" in computer programming refers to a developer taking a copy of source code from one software package and using it to start independently developing and creating new software.

33. On January 30, 2023, a number of Twitter users active in the Cosmos Network and blockchain development community expressed anger over claims that Mr. Fadeev was allegedly being prevented from copying the software he helped develop, to build an alternative competing product, due to the three-year non-compete clause from his contract. These claims were false, and in fact, AiB offered Mr. Fadeev a waiver, which would allow him to fork the Ignite CLI despite the non-compete provision in his contract. The false narrative Defendant

spread about this caused members of the Cosmos community to include “#freeDenis” in related Twitter posts. A significant portion of Defendant’s derogatory and disparaging remarks occurred in support of “#freeDenis” posts.

D. Defendant Engaged in Repeated Disparaging Attacks Against AiB

34. Since leaving AiB, Defendant, using the Twitter name “@YuTangClan_,” has made numerous derogatory and disparaging statements, all of which are demonstrably false.

35. Defendant’s tweets included at least three separate categories of false claims:

i. Defendant falsely alleges that AiB uses unenforceable non-competes, NDAs, and severance packages to bully workers in violation of California law.

36. On February 2, 2023, Defendant published a string of tweets falsely accusing AiB of using non-disclosure agreements and non-compete provisions to intimidate workers and engage in unethical practices.



**Corporate g** 
@YuTangClan_ 

2/ Your overly expansive agreements are unreasonable, non-specific, and oppressive. An intimidation instrument used to suppress non-confidential information. A tool you use to create fear. Your unethical practices impair the ecosystem's ability to recruit and retain talent.

2:13 PM · Feb 2, 2023 · **2,452** Views

2 Retweets 21 Likes

**Corporate g** 
@YuTangClan_ 

3/For the past 27 days, I've witnessed how you routinely emphasize unenforceable NDAs to create the illusion of leverage to enhance your bargaining power over non-native English speakers, and employees who do not know their rights. Stop.

2:14 PM · Feb 2, 2023 · **2,607** Views

**Corporate g** 
@YuTangClan_ 

4/We know the information you aim to conceal is already public knowledge, therefore an NDA and or confidentiality clause cannot be enforced. If you don't want workers adding to your growing record as a pathological and hostile organization...

2:14 PM · Feb 2, 2023 · **2,552** Views

2 Retweets 15 Likes

**Corporate g** 
@YuTangClan_ 

5/[#FreeDenis](#) [#FreeAlex](#) [#FreeScott](#) [#FreeLucas](#)
[#FreeGiuseppe](#)

Give them their severance.
Set them free.
Free of bullshit limitations and prohibitions.
Free of non-competes that restrict their desire to work on [#opensource](#) code.

2:14 PM · Feb 2, 2023 · **3,180** Views

4 Retweets 23 Likes



37. That same day, Defendant continued to engage with the Cosmos community with further disparaging remarks.



38. Defendant's assertion is false. Defendant knows this. AiB's contracts with employees and independent contractors alike contain non-compete provisions only where they are allowed by law in the jurisdiction where the worker resides. None of AiB's agreements governed by California law include non-compete provisions.

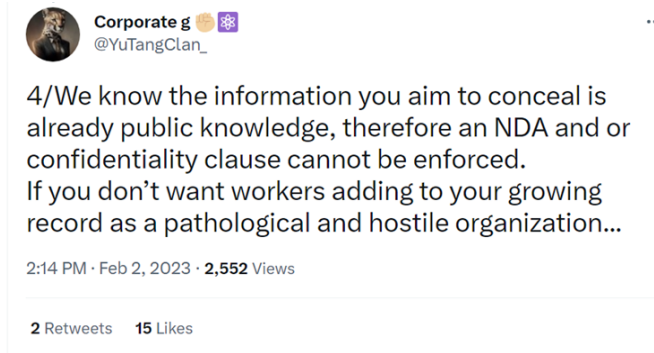
39. In fact, Defendant's own Consulting Agreement, which is governed by California law, notably lacks any non-compete provision. This is despite Defendant's residence in New York, where non-competes are legal and enforceable, and came as a direct result of negotiations between Defendant and AiB.

40. Despite AiB's willingness to work with Defendant under California law even though she was a New York resident, Defendant continued disparaging AiB on this and other issues. On February 3, 2023, for instance, Defendant claimed that AiB also used severance pay as a way to unethically and unlawfully bully workers into agreements.



ii. Defendant calls AiB pathological, sociopathic, and hostile.

41. On February 7, 2023, Defendant continued her disparaging attack on AiB by making more false accusations of coercive practices and anti-competitive tactics and describing AiB as pathological, sociopathic, and hostile.

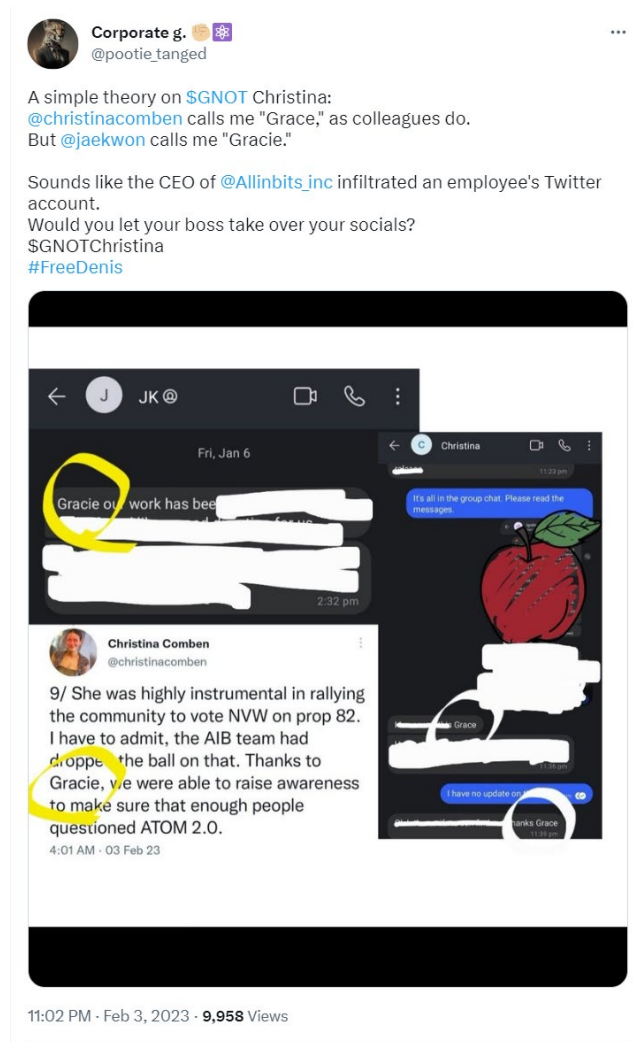


42. On the same day, Defendant shared a post from a Twitter account with username @The_Corporati0n. “The Corporati0n” is an allusion to AiB, and Defendant’s tweet again refers to AiB as a “sociopathic organization.” On information and belief, Defendant’s disinformation campaign has led others to change their Twitter tagline to reference “The Corporati0n.”



iii. Defendant falsely alleges that AiB CEO “infiltrated” a worker’s Twitter account.

43. On February 3, 2023, Defendant made additional disparaging remarks about AiB and its CEO Jae Kwon, accusing Mr. Kwon of co-opting a worker’s Twitter account. Defendant made this allegation despite her knowledge that it was false and unfounded.



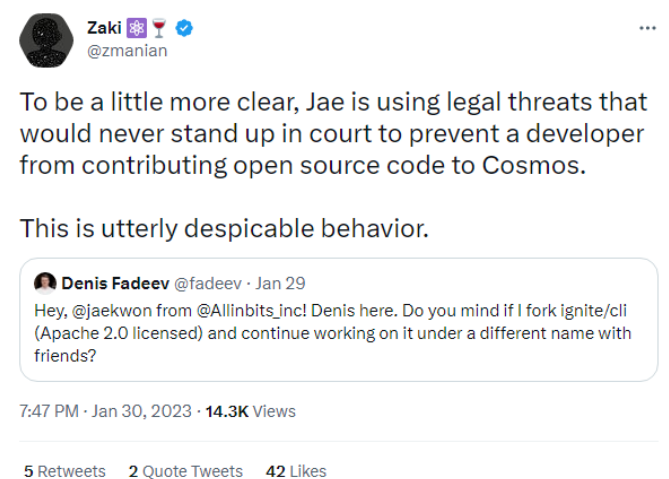
E. Defendant continues to engage in a coordinated disinformation and disparagement campaign against AiB

44. Defendant is not acting alone in making these false claims against AiB. Zaki Manian, Jack Zampolin, Jacob Gadikian, and others have made similar derogatory statements using social media and other public platforms, in parallel with Defendant's own disparaging remarks. Defendant continues to publish her own disparaging comments that amplify the others, damaging the goodwill AiB has created in its industry and tarnishing its reputation.

45. For example, Zaki Manian, a former business associate and AiB worker who is now the CEO of a competing company, tweeted the following:



46. More recently, as a response to the #FreeDenis movement, Mr. Manian has continued to perpetuate the outrageous narrative—created by Defendant—that AiB’s CEO Jae Kwon and AiB use legal threats to stifle the community. This is false.



47. Jacob Gadikian, a former AiB contractor, has repeatedly tweeted that AiB CEO Jae Kwon utilizes “sock puppet” accounts, falsely insinuating that the consensus-based governing structure of the Cosmos Network is being corrupted by the use of anonymous and fake Internet user accounts.



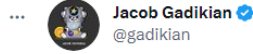
If individuals in @cosmos make the mistake of disagreeing with @jaekwon, he attacks them using a network of sock puppets.

I actually really like Jae, who taught me @Tendermint_Core 1:1 back in 2016.

I did not distribute this information earlier, because I like him.

8:59 PM · Oct 19, 2022

2 Likes



I don't regret chasing interchain foundation transparency. Jae is right to pursue that.

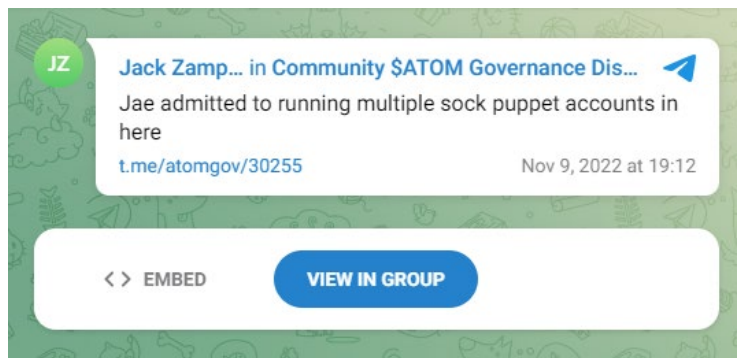
Jae has gone to great lengths to harm me with a sock puppet army recently.

Jae applies his conspiracy mind-- ideas I often agree with him on -- to his colleagues and it's wrong.

10:14 PM · Oct 19, 2022

7 Likes

48. Jack Zampolin, another former AiB worker, not only tweets that Jae Kwon uses sock puppets to influence the public discourse of AiB, but also posts on public Cosmos community messaging groups and disparages Jae Kwon and AiB on podcasts where he is advertising his own products.



49. In an interview with Cryptocito, a popular YouTube account in the crypto community, Mr. Zampolin falsely asserted that AiB CEO Jae Kwon “bribed people and paid off validators” in reference to the proposal known as ‘proposition 82 for Atom2.0’ on the Cosmos Hub.¹

50. Defendant has spurred, encouraged, amplified, and joined together with Mr. Manian, Mr. Gadikian, and Mr. Zampolin in putting forth these disparaging and false narratives.

¹ <https://www.youtube.com/watch?v=zkC6GtJIUn4&list=PPSV>.

F. Defendant's statements are ongoing, even despite efforts by AiB to remedy the damages caused by the misinformation campaign

51. On March 1, 2023, AiB published a statement on Twitter in an effort to address the misinformation campaign against them and reaffirm their commitment to providing open-source products.

52. On information and belief, that same day, Defendant temporarily removed her Twitter account and returned to Twitter using the name “@pootie_tanged” as her new username.²

53. That same day, and in the days that followed, Defendant tweeted and retweeted over ten statements disparaging AiB as a company and Jae Kwon as a leader of that company.



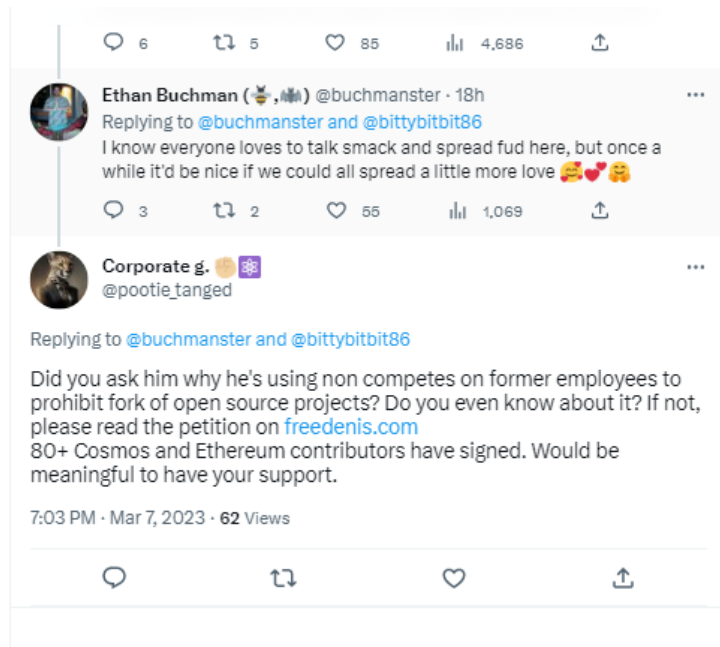
² Defendant, at the time of this filing, appears to be using the “@gyunit_” handle as her latest Twitter username.



54. Defendant also made disparaging comments on posts from Jae Kwon's business partners. In response to a Tweet published by a Cosmo's co-founder, Ethan Buchman, Defendant published the following:



55. When Mr. Buchman published another tweet asking users to spread more love, Defendant doubled down on her disparagement and asked Mr. Buchman to join the so-called #FreeDenis movement.



52. Defendant continued to make disparaging remarks even after acknowledging that Twitter was not a place for conflict resolution, and despite knowing that her comments were in violation of her contractual obligations to AiB.



G. Defendant's disparaging and derogatory remarks damage AiB

56. The disparaging and derogatory remarks made by Defendant and others acting with her have substantially harmed AiB.

57. First, these remarks damage AiB's reputation within the blockchain development industry and Cosmos community by creating a false narrative regarding AiB's policies with its

workers and its commitment to the Cosmos ethos.

58. Second, Defendant's disparagement campaign hurts AiB's ability to develop its current business partnerships and foster new economic opportunities.

59. Defendant's disinformation campaign has also impaired AiB's ability to recruit and retain talented software developers to be responsible for the support, maintenance, and innovation of AiB's blockchain products. Most recently, AiB lost a talented candidate who rejected its offer to join the team due to Defendant's online statements.

60. Defendant was well aware of the potential reputational dangers of online publications within the open-source community. On February 24, 2023, when Defendant withdrew her proposal for Spellshape funding, she requested that AiB and Jae Kwon use proper channels to avoid their "collective reputational interest." Notwithstanding her requests, and an acknowledgement of the potential danger of her actions, she continued her attacks on AiB in the weeks that followed.



61. According to the terms of the Consulting Agreement, Defendant has already agreed that her breaches of the non-disparagement clause would “cause serious and irreparable injury” to AiB, which it has.

FIRST CAUSE OF ACTION

Breach of Contract

62. AiB realleges and incorporates as if fully stated herein each and every allegation contained in paragraphs 1 through 61, inclusive, of this Complaint.

63. AiB executed a Consulting Agreement with Defendant on October 10, 2022. The Consulting Agreement prohibited Defendant from making “publicly or privately, verbally or in writing, directly or indirectly, any defaming and/or disparaging, derogatory, misleading or false statement about the other Party or its products, or any current or former directors, officers, employees, or agents...” during the term of the Agreement and for the twelve months following the termination of the contract.

64. Defendant breached the non-disparagement provision of the Consulting Agreement by making statements alleging that AiB was engaging in unethical and unlawful practices by forcing its workers into non-competes, NDAs, and confidentiality agreements as a means to suppress information and gain leverage over its workers. Over a period of a few weeks, Defendant repeatedly engaged in discourse to spread these lies about AiB, knowing that they directly contradicted the contract she herself had signed.

65. Among other derogatory statements, Defendant referred to AiB as “pathological and hostile” and a “sociopathic organization[,]” thereby endangering the goodwill AiB had built in the Cosmos community.

66. As a direct and proximate result of Defendant’s breach of the Consulting Agreement, AiB’s reputation has been irreparably damaged and its business harmed.

67. Defendant’s breach has caused AiB to incur damages in an amount to be determined at trial, but not less than \$150,000. The harm Defendant caused AiB includes lost business and loss of goodwill.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment against Defendant as follows:

1. Actual, incidental, and consequential damages in an amount to be proven at trial;
2. Attorneys' fees and costs of suit;
3. Interest as allowed by law; and
4. Any additional and further relief, including equitable relief, that the Court deems just and proper.

Dated: March 23, 2023

MORRISON & FOERSTER LLP

By: /s/ J. Alexander Lawrence

J. Alexander Lawrence

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