

# Chlu

## Reviews and Ratings Verified by Payments on a Blockchain

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### Abstract

We present a decentralised payments and reputation system that recognizes vendors for delivering goods and services. Payments made are accompanied by ratings and reviews and these can be verified by anyone the vendor grants permission to do so - in all other cases the reputation and payments remain private to the vendor. All ratings and reviews claimed by the vendor can be verified by cross checking data published on an immutable ledger.

All popular online marketplaces use closed reputation systems, where users can not take their reputation and sales history to another marketplace, if they want to. Chlu is an open, decentralised and freely accessible reputation platform built on top of public permissionless blockchain. Vendors and customers do not need to put their trust in any single entity. Anyone can use the Chlu smart contracts to make payments, track reputations and verify these reputations once they have the permission from the vendor to do so.

Chlu provides protocols and open source libraries for marketplaces and online shops to integrate their payments and reputation systems with Chlu. The only fees paid are to blockchain miners. Vendors on Chlu own their reputations and use them across any number of marketplaces, they are not confined to any single marketplace.

Finally, Chlu provides for a endorsing system so that existing vendors can invite new vendors to the ecosystem. With Chlu, customers get access to verifiable reputations of vendors backed by payments made in the past. Vendors in turn can build their reputation that they can use on any online marketplace.

## 1 Introduction

Marketplaces need reputation to thrive. In real life and even more so in online ecosystems the only way for people to do business is to look at each other's past behaviour and use that as a predictor of their future behaviour. All popular online marketplaces like eBay, Airbnb, Amazon marketplace and UpWork include a reputation system that provides trust in the vendors and in some cases customers too. However, these marketplaces keep the user's reputations locked to their platforms, denying users the chance to benefit from reputation they built. With immutable ledger systems provided by blockchains user's reputations can be saved on publicly accessible systems while being kept private using advanced cryptographic solutions.

It is also important that a vendor's reputation is not publicly available if a vendor chooses so. Instead, a vendor can choose to reveal his reputation only to a select customer or on a marketplace. Vendors can also select marketplaces that can always display their reputations.

Alongside the reputation system, international payments remain a challenge. Bank transfers can take weeks and can cost as much as 3% in transaction fees. Blockchains, with their open ledgers, have enabled payment platforms where transfers are near instant with very low fees. Converting a cryptocurrency to fiat can be as low as 0.26% fee.

Chlu solves the above two problems thanks to blockchains. Using Chlu, customers can pay vendors within minutes and also record ratings and reviews associated with the transaction. These ratings, reviews and payments are saved on the public blockchain. Finally, vendors can keep their reputations private, such that until they choose to reveal it to a third party no one can find out a vendor's reputation. This allows for small vendors to preserve their privacy but reveal it to potential customers as and when needed.

Chlu provides a trustless and verifiable reputation and payments system that runs on a public permissionless blockchain. Chlu can be used by any marketplace to let users build their reputation backed by payments received, and let the vendors easily use the same reputation on multiple

marketplaces. As vendors receive payments on any of the marketplaces, the changes to their reputations are visible across all other marketplaces as well.

Chlu provides a set of protocols that can be implemented by anyone to enable Chlu into their system. However, we provide reference implementations for these protocols as vendor and customer wallets as well as libraries for marketplaces to use on their servers. Our goal is to drive the growth of an ecosystem around an open, trustless reputation system.

In the rest of this whitepaper, we demonstrate how important online reputation is in various industries and elaborate on the problems in international payments. We then describe how Chlu solves the problem and how the solution is possible only because of open ledgers provided by blockchains.

## 2 Reputation in Online Marketplaces

The value of reputation is now a well-established concept when it comes to eCommerce. The amount of data that we have from companies like Google, Amazon, eBay and others means that the evidence is irrefutable. Reviews from our peers are central to how we make purchasing decisions; this has been clearly established in the literature <sup>1</sup>.

The numbers don't lie when trying to establish the scale of this opportunity. By 2020, global eCommerce will be a 4 trillion dollar industry<sup>2</sup>. Within that figure, somewhere around sixty-one<sup>3</sup> percent of consumers read reviews before deciding whether or not to buy. It could therefore be argued that by the end of the decade, well over two trillion dollars of eCommerce transactions will be guided by the current mish-mash of online reviews.

Reputation has been at the center of how we make socioeconomic decisions for millennia. However, we now live in an era where total strangers who could never attain information about each others' reputation are nonetheless interacting with each other and engaging in transactions on a daily basis. This is now commonplace, and yet we don't really have a good model for establishing the trust needed to have friction free engagement.

Some marketplaces have been very successful at establishing a proxy for this trust that over time establishes reputation; Amazon, eBay and others have created somewhat effective walled garden solutions to this problem with their reviews and ratings systems. We use the term 'walled garden' as the solutions are locked in a closed, managed ecosystem that is non transferrable externally. In other words, your reputation on Amazon is useless on eBay. In an ideal world, this would not be the case.

Further distancing the current state of affairs from an ideal model is the fact that reputation is an umbrella term that doesn't always mean the same thing from marketplace to marketplace. A given user's excellent reputation for selling on Amazon may not be a good indicator of their reputation as an Airbnb user. Even within similar ecosystems, such as freelancer marketplaces, users can quickly become locked into a single marketplace due to the sunk cost fallacy. Rachel Botsman wrote in 2012 for Wired magazine:

"An aggregated online reputation having a real-world value holds enormous potential for sectors where trust is fractured: banking; e-commerce, where value is exponentially increased by knowing who someone really is; peer-to-peer marketplaces, where a high degree of trust is required between strangers; and where a traditional approach based on disjointed information sources is currently inefficient, such as recruiting"

The need for a universal, open, free-to-use reputation score is plain. Many businesses have tackled this problem over the last five years<sup>4</sup>, and none have truly succeeded. Legit, TrustCloud, Confido, Scaffold, Reputate are some of the names on corporate headstones in the reputation economy graveyard.

Looking at some of the current players in this space, from established players like TrustPilot to new entrants like Feefo, and everyone in between (TrustedShops, Reevo, and of course even Amazon themselves) the problem is evident: the current systems are prone to being gamed. Even a solution like TrustedShops, where 'proof of purchase' is necessary to leave a review, the reality is that ownership of the data in the purchasing chain is broken several times along the way, and fake

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<sup>1</sup><https://econsultancy.com/blog/9366-e-commerce-consumer-reviews-why-you-need-them-and-how-to-use-them>

<sup>2</sup><https://www.emarketer.com/Article/Worldwide-Retail-Ecommerce-Sales-Will-Reach-1915-Trillion-This-Year/1014369>

<sup>3</sup><https://econsultancy.com/blog/9366-e-commerce-consumer-reviews-why-you-need-them-and-how-to-use-them/>

<sup>4</sup><http://www.wired.co.uk/article/welcome-to-the-new-reputation-economy>

reviews abound. Google uses a long list of independent vendors<sup>5</sup> that provide inputs to establish their seller ratings, and still it appears that approximately 15<sup>6</sup> to perhaps 35<sup>7</sup> percent of these are still fake. The importance of these ratings cannot be understated: going from a three-star rating to a five-star rating gets a business twenty-five percent more clicks from Google Local Pack<sup>8</sup>.

Ninety five percent of users doubt the validity of reviews when they don't see bad scores, and yet Google only shows scores of three-and-a-half stars or more. Something is broken; customers know it, and have to resort to personal, highly imperfect hacks to sort the real review wheat from the fake review chaff.

## 2.1 So why will Chlu be any different? What has changed?

The difference today is the emergence blockchains providing distributed ledgers, where:

- data is stored in a public immutable database; and
- payments are publicly visible.

These two key features provide us with tools where trust can be established in a much more robust manner.

Customers trust other real customers, but existing systems are fraught with the problem of fake reviews. Using the two essential attributes of blockchains we can eliminate fake reviews. Customers can only leave a review and a rating for a vendor if they have made a purchase from that vendor. Equally importantly, we provide the infrastructure where payments have to be supported by publicly verifiable requests for payments from the vendor.

Furthermore, blockchain based payment backed reviews establish a clear financial inhibitor against fake reviews, and the more the network grows, the larger this inhibitor becomes.

There can be zero doubt that a truly global, open, free and trustless reputation system, where you control access to your reputation, in what context that access is granted, with no third party in the middle, would revolutionize eCommerce on a global scale. We believe that the solution that Chlu provides is one of the key components necessary to take online trade from its current phase into the coming century where it will inevitably eclipse traditional commerce.

## 3 Problems with Online Payments

In this section we describe the current state of the online payments market, and why there is a need for a better solution.

### 3.1 Current Solutions

As mentioned above, more and more financial transactions are moving online with each passing year. eCommerce in general continues to grow at double digit rates, and mobile payments are just starting to take hold in mainstream transactions. You can more than likely pay for your groceries with your mobile device in your local supermarket today. In the US, mobile payments rose thirty nine percent in 2016 to reach \$112bn, according to global firm Forrester Research. The Chinese market dwarfs these numbers by a factor of almost fifty; third party mobile payments in China were valued at approximately \$5.5 trillion last year, which was a turning point for physical retailers accepting mobile payments in supermarkets, clothing stores and restaurants leading the way.

Even though there is significant competition in the payments space, established players, national and international regulators, and other incumbent factors mean that innovation in payments is uncommon and generally lags the pace of innovation in technology and the overall online marketplace. This is especially true for international payments, where cross border regulation and processes are cumbersome, costly and ineffective.

Making an international transfer is far from a frictionless process. The number of steps involved is problematic, often reaching double digits in both the number of parties involved and the number of associated fees. This quickly becomes expensive to users of the system while adding virtually no value other than facilitating the transaction itself.

<sup>5</sup><https://support.google.com/partners/answer/2375474>

<sup>6</sup><http://www.gartner.com/newsroom/id/2161315>

<sup>7</sup><https://www.cs.uic.edu/~liub/publications/WWW-2012-group-spam-camera-final.pdf>

<sup>8</sup><https://www.entrepreneur.com/article/295233>

## 3.2 Fees

“The current industry standard allows for opaque pricing, which obscures unfavourable currency conversion rates, hides the real cost to the consumer and makes it almost impossible for the consumer to ‘comparison-shop’” (Consumers International)

Transaction fees are typically between 2-6% even for intra-bank transfers, and flat fees are common for international transfers no matter the transaction size. Typical ranges are between \$35 to \$65 per transfer for international outgoing wire transfers initiated online. Initiating a transfer by other means (e.g. over the phone) will incur further charges on top of this. This pricing may seem exorbitant, but in reality it is necessary to provide a healthy profit on top of the long list of fees imposed by the many parties involved along the way.

The full range of fees that can be applied to standard transactions is eye-opening: basic transaction fees, chargeback fees, retrieval request fees, terminal fees, Payment Card Industry fees (of which there are many), anti-money laundering fees, address verification service fees, and many, many more. Ultimately, the accumulation of these hidden fees mean that a given bank may charge anything from four percent to an incredible fifteen percent for sending money across international borders.

## 3.3 Transaction Times

Transaction times vary depending again on the type of transfer. For local transfers, anything from two to five days is typical, and for international transfers it can take several weeks to receive funds at the destination account. Even for in-country transfers, some eCommerce payment processors will hold merchants’ money for several additional days due to the greater possibility of chargebacks. This of course causes real cash flow problems, especially for small businesses.

Of course, there are well known alternatives should speed be of the essence, but they come at a cost. Users of a service such as Western Union should expect to pay somewhere between seven to twelve percent of the total transaction value, making it a very expensive option.

Finally, most current solutions involve trusting a third party to an extent that adds significant risk to the users of the system. Paypal is a perfect example of a major payment solution provider that has repeatedly broken trust with many of its users, locking account access for seemingly arbitrary reasons, and effectively seizing funds with no arbitration or review process in place. They have often left businesses and individuals without access to their funds for six months or more with zero recourse, and zero oversight. Again, the current systems are broken, and the world needs a more effective solution.

# 4 Chlu

In this section we describe the goals of the Chlu protocols and how we are enabling an ecosystem where anyone can provide a payments and reputation on their platform. We also explain new ideas about Proof of Payment (PoP) and Proof of Payment Requested (PoPR).

## 4.1 Goals

Chlu is a decentralised platform for making payments and saving vendor reputations. Chlu enables vendors to build their reputation on a decentralised blockchain so they are not confined to a walled garden of a single marketplace, and customers benefit from a transparent reputation of vendors backed by payments made for goods and services. The key goals of a decentralised reputation platform are to provide:

**Proof of Payment** Customers can leave reviews and ratings only if they made a payment to the vendor.

**Proof of Payment Requested** Every payment made can be verified to be in response to a payment request by the vendor.

**Zero Fees** Chlu does not charge any fees. The only fees in the system are those charged by blockchain miners.

**Private Feedback** Reviews and ratings are private to the vendor.

**All or nothing** Vendors can share their reputation with any marketplace, including their own websites.

**Multiple Reputation Scores** Vendors cannot hide a review. Once they share their reputation with a marketplace their entire history is available to the marketplace.

**Extensible** Marketplaces are free to compute a reputation score for a vendor using the reputation data available.

**Open Access** Anyone can use the reputation system as a vendor, customer or marketplace.

## 4.2 Proof of Payment

All user feedback for a vendor is tied to payments made by the customers leaving the rating and review. This is an important aspect of a trustless decentralised reputation system. There is no third party involved. Instead of trusting a payment gateway or the vendors themselves, Chlu ties the rating and review to a payment made through a trustless payment system.

A customer can leave feedback for a vendor only if there is a verifiable payment made by the customer to the vendor. Further still, the customer can leave only one feedback per purchase made. The customer can update this feedback for two months after the purchase.

## 4.3 Proof of Payment Requested

All payments made to a vendor have to be backed by a payment request signed by the vendor or by the marketplace on behalf of the vendor. Chlu protocols require that this proof of payment requested or PoPR is verified before a review is included in the vendor's reputation.

The requirement of checking for a PoPR avoids an attack by a vendor's competition to leave negative reviews for the vendor. Even if the competitor is willing to pay the price of spamming a vendor, the vendor can put a "flow control" on the reviews received by controlling the inventory on sale.

## 4.4 Zero Fees

The Chlu protocols are designed so that no third party can directly profit from facilitating a trustless reputation system. That is, there are no fees charged for providing the libraries that together make up Chlu. Even the founders of Chlu can not charge any fees for use of the system.

The only fee charged is that by miners to save the payment on the blockchain.

## 4.5 Private Feedback

The reviews and ratings left for a vendor are saved after encrypting it with the vendor's public key, so that only the vendor can read the feedback. The vendor can enable sharing of their reviews and ratings with one or more marketplaces as they see fit.

This requirement is important to avoid marketplaces listing vendors as members of the marketplace without permission from the vendor as well as providing privacy to the vendor in case he wants to disable any reviews and ratings for his services.

This feature also allows a vendor to leave a marketplace and thus stop sharing his reputation with the marketplace, even though the reputation already shared could have been saved by the marketplace.

## 4.6 All or Nothing Reputation

A vendor can not selectively hide any of the reviews and ratings received. Once a vendor shares his reputation with a marketplace all the reviews and ratings are made available to the marketplace. The marketplace can detect if the vendor is not revealing any of the reviews and ratings and thus refuse to show the vendor's reputation on the marketplace, or even further, block the member from the marketplace outright.

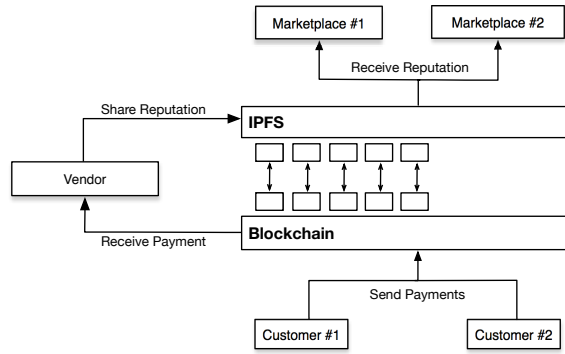


Figure 1: Linking reputation data to payments on blockchain

## 4.7 Multiple Reputation Scores

Marketplaces are free to compute vendor’s reputation scores based on their own algorithms. This is important so that marketplaces can encourage vendor behaviour they choose. For example, some marketplaces want to track a vendor’s average ratings over the lifetime of the vendor, while others give additional weight to more recent ratings received.

## 4.8 Open Access

Anyone can join the system as a customer, vendor or a marketplace. No vetting by third party is required, no minimum balances in a bank account, or any such old world measures. In this truly open and decentralised reputation system, there will be no central party that controls access to the system.

## 4.9 Extensible

Different marketplaces will need to store details of a review as part of the review created by the customer. For example Airbnb<sup>9</sup> and Homeaway<sup>10</sup>, both property rentals marketplaces, ask their users to review the host and the property using different criteria. Chlu supports storing any details a marketplace might want to include in the reviews details by describing an open reviews structure as part of the Chlu protocols.

# 5 Architecture

The Chlu platform uses a blockchain to make payments and saves the Proof of Payment along with a Proof of Payment Request in IPFS[1], a decentralised immutable storage for objects and files. The key idea behind Chlu is that we can save a review on IPFS and save the review’s IPFS content address in the blockchain transaction.

Once we have a way to find an immutable review associated with a payment, we then use cryptography to make sure of the following:

1. The review is only readable by the vendor
2. The review and the payment associated with it are in response to a payment request created by the vendor or on behalf of the vendor by a marketplace
3. Vendor can’t hide any of the reviews they have received

In the following sections we explain in detail how these characteristics are provided for by the Chlu protocols. First, we describe the structure of the payment record first and then describe the IPFS record structure as well.

<sup>9</sup><https://www.airbnb.com/help/article/13/how-do-reviews-work>

<sup>10</sup><https://help.homeaway.com/articles/How-do-I-submit-a-review>

## 5.1 Proof of Payment Request, PoPR

The proof of payment request is stored on IPFS and the IPFS content address for this record is stored inside a payment record.

The record has the following structure:

***I*, Item ID** A unique ID for the item from the marketplace or the vendor's site

***In*, Invoice ID** The ID of the invoice generated by the marketplace or the vendor's site

***C*, Customer ID** The user ID of the customer on the marketplace if available

***T*, Timestamp** A unix timestamp for when the payment request was generated

***Cr*, Currency** The currency symbol of the blockchain

***A*, Amount** In blockchain currency

***M*, Marketplace** The URL where the marketplace is available

***K*, Key location** The IPFS content address where the vendor's public key is available

***S*, Signature** Signature of all of the above, signed by the vendor's private key available to the marketplace

**Proof of Payment Request, PoPR**  $= (I, In, C, T, A, M, Sig(S_v, I, In, C, T, A, M))$ , where  $S_v$  is the vendor's signing key the vendor has shared with the marketplace and Sig is the operation of concatenating all the arguments apart from  $S_v$ , hashing it and then signing the hash with  $S_v$

## 5.2 Payment Record

The payment record stored on blockchain contains the following details:

***C*, Customer address** The address of the customer on the blockchain

***V*, Vendor address** The address of the vendor on the blockchain

***A*, Amount paid** In the blockchain currency

***PoPR*, Proof of Payment Request** This is the request for payment signed by the vendors secret key so that it can be verified by a vendor public key

***RR*, Review Record** An IPFS content address where the review is stored

**Payment record, PR**  $= (C, V, A, PoPR, RR)$

## 5.3 Review Record stored in IPFS

The reviews stored on IPFS include the following details:

***Cr*, Currency** BTC, LTC, ZEC or ETH

***A*, Amount** In the above currency

***R*, Ratings** An integer in the range 1 to 5

***Rv*, Review** A plain text review

***Dr*, Detailed Review** A JSON formatted review; the structure of the review is defined by the marketplace H, Hash: The hash of all of the above,  $H(C, V, A, R, Rv, Dr)$

**Review Record, RR**  $= (H, E_v(Pve, (C, V, A, R, Rv, Dr)))$

All the elements of the RR are encrypted using the Vendor's public key,  $P_{ve}$ . The hash along with the encrypted data is stored on IPFS. The content address of the **Review Record** is stored in the payment transaction.

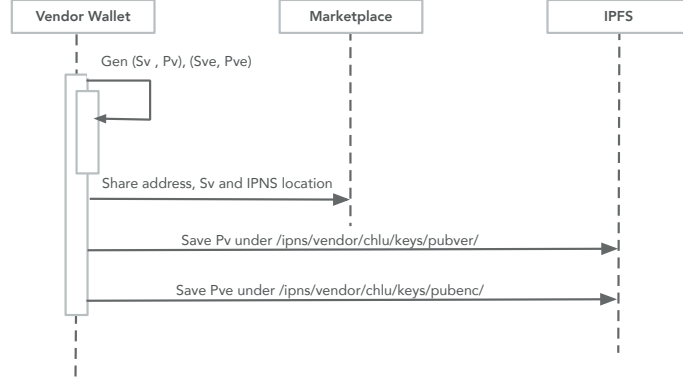


Figure 2: Key distribution: Vendor

## 5.4 Key Distribution

Before we describe the protocols, we describe how keys are distributed for the signature in the **Proof of Payment** and the encryption of the **Review Record**. We use IPFS and IPNS to enable key distribution.

First we describe the key pairs we need:

**$S_v$  and  $P_v$  the vendors signing key pair** The vendor securely shares the signing key ( $S_v$ ) with a marketplace so that the proof of payment request can be signed when it is generated by the marketplace.

**$S_{ve}$  and  $P_{ve}$  is the vendor's encryption key pair** The secret key,  $S_{ve}$ , is retained by the vendor and the public key,  $P_{ve}$ , is made available over IPNS[1]. This enables the vendor to control who can view his review details. To share the review details, the vendor can decrypt the reviews and use a marketplace API to send them to the marketplace servers.

### 5.4.1 Sharing the Vendor Signing Key

The vendor signing key,  $S_v$ , is shared with the marketplace by the Vendor's wallet. The vendor's wallet will create a signing key for each marketplace where the vendor wants to use Chlu.

Vendor's wallet contains  $((M_1, S_{v1}, P_{v1}), (M_2, S_{v2}, P_{v2}), (M_3, S_{v3}, P_{v3}), \dots)$ . Where  $M_1, M_2, M_3$  are names of the various marketplaces the vendor is registered with, and  $S_{vi}, P_{vi}$  are the secret and the public keys the vendor has for the marketplace  $M_i$ .

The public key,  $P_v$  - required to verify if the signed payment request is valid - is saved in a publicly accessible location by the vendor's wallet. Chlu requires that this key is saved under `/ipns/vendorname/chlu/keys/pubver/mi`. By using IPNS the vendor can add new keys under the pubver directory and change the IPNS name to point to the updated Chlu directory under the vendorname IPNS entry.

Publishing  $P_v$  in a well known location helps us provide a useful property that whoever controls `/ipns/vendorname` directory can publish other keys under that directory and we can be sure all those keys are owned by the same entity - in our case the vendor.

### 5.4.2 Sharing the Vendor Public Encryption Key

We now require that vendor's wallet generates an encryption key pair  $(S_{ve}, P_{ve})$  and publishes the public key  $P_{ve}$  under the same IPNS location as where the signing key was published - `/ipns/vendorname`.

By requiring that the vendor encryption public key,  $P_{ve}$ , and the signature verification key,  $P_v$ , both be published in the same IPNS location, we are able to guarantee that the entity who signs the **Proof of Payment Request** is the only one that can decrypt the **Review Record**.

Once the **Review Record** is decrypted by vendors, they can then share the reviews with any marketplaces they want. This guarantees that the **Review Record** are private to the vendor until the moment the vendor decides to share them.

Figure 2 shows the sequence diagram for generating vendor's signing and encryption keys and publishing them on IPNS.



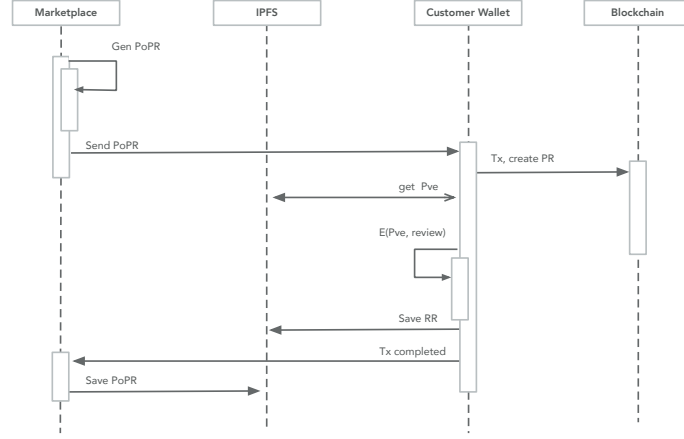


Figure 3: Payment Processing

### 5.4.3 Making Payments and Saving Review Records

We now describe how payment processing works so that each published review is supported by a **Proof of Payment** and each payment received is in turn supported by a **Proof of Payment Requested**.

When a customer selects an item and wants to make a payment, the marketplace first generates a PoPR and shares it with the customer. The customer opens the payment request in a customer wallet and this payment request includes the PoPR. The customer then chooses to make the payment, and includes review and a rating as part of the payment. The customer's wallet makes a blockchain transaction to make the payment to the vendor and embeds the following two IPFS content hashes in the payment record.

**PoPR** This is the address of the PoPR, so that anyone who finds this transaction on the blockchain can look up the PoPR on IPFS and validate it as a payment request made by the vendor.

**RR** The **Review Record** includes the review and rating sent by the customer and saved on IPFS. The content address of the **Review Record** is also saved inside the blockchain payment record allowing anyone to find the review left for the vendor with the payment. The RR also contains a content hash in plaintext, and the vendor has to include this hash whenever he publishes the review to a marketplace. This allows anyone to verify that a review is backed by a **Proof of Payment**, which in turn is backed by **Proof of Payment Requested** as shown earlier, and the review has not been tampered with.

Figure 3 shows how marketplace and the customer wallet interact to save the PoPR, PR and RR when a payment is made to a vendor selling products or services on the marketplace.

### 5.4.4 Verifying Reviews

Vendors are free to share their review history with marketplaces and send an update to the marketplace when a review is available. We show how a marketplace can verify that the **Review Record** submitted by a vendor has not been modified by the vendor since it was published.

There are a few important elements of **Payment Record** and **Review Record**:

1. **Payment Record** contains the IPFS content address of a **Review Record**.
2. Each **Review Record** is encrypted using  $P_{ve}$ , the public encryption key of the vendor. This key is owned by the owner of  $P_v$  whose corresponding  $S_v$  signed the PoPR.
3. Each **Review Record** has two parts to it, the hash of the plaintext and the encrypted review.

Once a marketplace has the above information, it can take a hash of the plaintext review submitted by the vendor and compare it to the hash included in the **Review Record**.

This is, however, not enough to make sure the review is valid. We need to further verify that the **Proof of Payment Request** is also signed by the vendor who controls the same location where

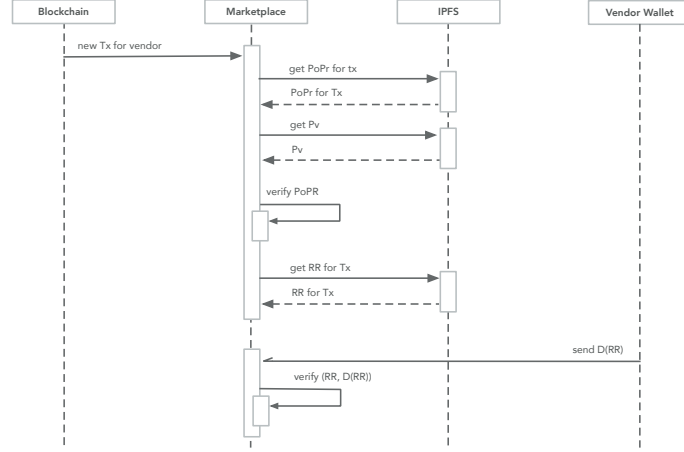


Figure 4: Key distribution: Vendor

the public key  $P_v$  was stored to encrypt the **Review Record**. The following sequence of steps help marketplaces verify the review has not been changed by the vendor and is a valid review for the vendor.

1. Marketplace fetches the **PoPR** and  $P_v$  for the vendor
2. Marketplace validates that the signature for **PoPR** can be verified using  $P_v$
3. Marketplace then fetches the **Review Record**, **RR** that it wants to verify
4. Marketplace finds the plaintext **RRv** with the same hash that vendor has submitted
5. Marketplace takes a hash of the plaintext part of **RRv** and compares it to the hash in the **RR**
6. If the above two hashes are the same, the marketplace is sure that vendor is in control of the private key whose public key is saved in the same IPNS directory where the  $P_v$  is stored

Figure 4 above shows the sequence of actions for review verification.

The above process assures the marketplace that the same vendor is in control of  $S_v$  and  $S_{ve}$  and that the vendor has not altered the review since it was encrypted by the customer wallet using  $P_{ve}$ .

The above process describes how the vendor can share their review to the marketplace using their wallet. It should be noted, however, that this functionality can be provided by any service that watches the blockchain for transactions to the vendor address and shares the reviews as they come in.

#### 5.4.5 Reviews After Product Delivery

The above solution shows how a review that is created when a customer makes a payment is shared with marketplaces in a secure way. However, we still need to allow customers to pay for a product and create a review after the product has been received, which means separating the events of payment and writing a review. While trying to address this separation we can also provide support for customers updating reviews that they have already created for a given purchase.

As described uptill now, the **Payment Record** stored on the blockchain stores a reference to the IPFS content address of the **Review Record** authored by the customer. To support the separation of payments and reviews, and to allow customers to update a review, we change the requirement of the IPFS content address to instead be an IPNS name of a directory.

Once the marketplace has access to an IPNS name of a directory from a **Payment Record**, it can poll the directory to check if there is any new data. If new data is available under the directory, IPNS guarantees that it has been created by the customer who left the first review. This is achieved by the IPNS requirement that only the holder of the private key that created the IPNS name can add content to the location pointed to by the IPNS name.

The above requires a customer wallet initialization similar to the vendor wallet initialization so that the customer wallet creates a key pair to be used for saving reviews and publishing an IPNS name.

In future, the requirement from the marketplace to poll an IPNS directory can be replaced by IPFS pubsub once it is ready for production release and, more importantly, supports authentication of pubsub events<sup>11</sup>.

## 5.5 Sybil Attacks

Any reputation system needs to be resistant to Sybil attacks, where vendors can create multiple customer accounts and give themselves high ratings through these sockpuppet accounts. A reputation system can be made resistant to Sybil attacks by requiring high costs for using the system or requiring a network of identities within the system. Since Chlu is free to use it would first appear that it would be highly vulnerable to Sybil attacks. But there are two important features that make Chlu resistant to Sybil attacks:

1. Marketplaces are free to choose how they use a vendor's reputation history
2. Marketplaces charge vendor a commission to sell items through their service

Keeping the above two points in mind, let us see how a vendor can conduct a Sybil attack and how Chlu remains resistant to the attacks thanks to well behaving marketplaces.

Say a vendor launches a Sybil attack by creating numerous fake customer accounts and tries to gain a positive reputation history. In this case, the vendor creates a dummy marketplace, that charges no commissions, generates PoPR for the sockpuppet customers and makes payments to the vendor's account backed by these PoPR, attaching the best ratings to each payment.

The vendor will succeed in creating a reputation history where each PoPR is signed by the dummy marketplace, and the vendor could use this history to show top ratings on his own website. However, any other marketplace will chose to leave out ratings from this dummy marketplace. The vendor's ratings on other marketplaces will only show ratings received on other marketplaces that they accept ratings from.

If vendors try to create sockpuppet accounts on a legitimate marketplace, they will have to pay commissions of up to 15% charged by these marketplaces, the vendor will not be able to leave too many positive reviews without burning a lot of money.

## 6 Which Blockchain

The system described above can work on Bitcoin and all the blockchains derived from bitcoin that support the OP\_RETURN operator. The content addresses for **Review Record** and **Proof of Payment Request** can be saved in the OP\_RETURN field, as they will together fit into the 80 bytes limit for OP\_RETURN.

We provide reference implementations for Bitcoin, Litecoin and ZCash, all of which support OP\_RETURN. As well as on Ethereum<sup>12</sup> where we store IPFS content addresses on the blockchain using a thin smart contract.

## 7 Comparison

Chlu is not a marketplace. This immediately differentiates it from all other efforts to provide decentralised marketplaces. Instead, Chlu is a service that can be used by any marketplace, decentralised or not.

Chlu is an openly accessible and decentralised service for making payments and building online reputation as a vendor. We contrast Chlu with the other decentralised marketplaces to make it clear where Chlu stands in comparison. In the case where the marketplace does not yet exist , but is only described on a website, we compare Chlu with the planned features offered by the marketplace.

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<sup>11</sup><https://ipfs.io/blog/25-pubsub>

<sup>12</sup><https://www.ethereum.org/>

The most important features we compare are whether the review and ratings systems are walled gardens or not, and whether they require proof of payment for reviews. We also include extensibility as a property because without it, the reputation system can not be used by marketplaces that encourage different user behaviours.

If the specifications of the various systems don't provide a clear answer for these properties, we leave it as unknown.

System	Walled Garden	Proof of Payment	Extensible
Chlu	No	Yes	Yes
OpenBazaar[2]	Yes	Yes	No
Ethlance[3]	Yes	Yes	No
District0x[4]	Yes	Unknown	No
Colony[5]	Yes	Unknown	Unknown
Monetha[6]	Yes	Yes	No

The above table shows how Chlu's goal of decentralised reputation is not being provided by any other system.

## 8 Conclusion

We describe Chlu, a decentralised reputation system where the vendors are in control of the reputation they have earned by selling products and services on various marketplaces across the internet. Chlu defines protocols that do not require any trusted third party to run services or authorise any transactions. Chlu protocols use a blockchain for making payments, save reviews and ratings on IPFS/IPNS, and use cryptography to provide a secure system of verifying claims made by vendors.

In a global economy with products and services bought and sold between strangers, reputation systems are instrumental in driving business. However, until now, reputation systems have been enclosed in walled gardens. Even if vendors have excellent reputations in one marketplace they are unable to successfully sell products and services on another marketplace.

Marketplaces also have to constantly fight vendors trying to game their reputation systems, with Chlu's reputation history backed by a proof of payment, and no need for a trusted third party required to verify transactions, all marketplaces will benefit tremendously from adopting Chlu.

## References

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