

Title

– Proposal [Non-Constitutional]: ArbitrumDAO Contribution; Safeguarding Software Developers' Rights & the Right to Privacy

Abstract

& Rationale

- This proposal envisages a monetary contribution to Coin Center from the ArbitrumDAO to continue their policy, litigation & advocacy efforts in relation to open-source software & software developers' rights.

Steps to Implement

- The steps to implement the AIP, including associated costs, manpower, and other resources for each step where applicable. For the avoidance of doubt, any AIPs involving transactions with third parties (such as grants) will need to ensure that applicable legal documentation and procedures are also included.

Timeline

- Call: 09/04/2024 at 4PM UTC // Snapshot: 12/04/2024

Overall Cost

- [Dependant on DAO vote

]:

- Fund CoinCenter with 1.5 Million ARB;
- Fund CoinCenter with 1.75 Million ARB;
- Fund CoinCenter with 2 Million ARB;
- Fund CoinCenter with 2.25 Million ARB;
- Fund CoinCenter with 2.5 Million ARB;
- Don't Fund

Proposal authored by [Axis Advisory](#)

Context & Preamble

The digital asset industry has been faced with recent legal challenges in relation to a software developer's individual freedom to contribute to the development and subsequent deployment of open-source permissionless software. This goes as far back as 1990 when Phil Zimmerman released Pretty Good Privacy (PGP), one of the first openly available public-key cryptography applications that featured end-to-end (E2E) encryption. Zimmerman's creation prompted a criminal investigation that was eventually dropped, resulting in federal court decisions that protect encryption under the U.S. Constitution's First Amendment. This clash on personal privacy became dubbed the "encryption wars."

Our team over at Axis Advisory has published a write-up that offers contextual information in relation to the above:

[Defending Open Source: A United Stand for Developer Rights and Software Freedom](#)

In this regard, we are proposing a contribution from the ArbitrumDAO to CoinCenter to continue its policy & litigation efforts in relation to privacy-enhancement tooling and software developer advocacy. Some of Coin Center's most notable contributions with an industry-wide impact will be noted hereunder:

1. Coin Center's case against the Office of Foreign Assets Control about adding Tornado Cash to the OFAC Sanction List, (naturally, Tornado Cash not being a person or entity but a mere set of open-source smart contracts running on the Ethereum Blockchain). Albeit the court ruling against Coin Center in the initial proceedings, Coin Center is currently in the process of appealing the judgment.

[Refer: [Coin Center is suing OFAC over its Tornado Cash sanction](#)].

[Refer: <https://storage.courtlistener.com/recap/gov.uscourts.flnd.447304/gov.uscourts.flnd.447304.74.0.pdf>];

1. Coin Center's concerns raised to the Financial Crimes Enforcement Network (FinCEN) regarding the designation of convertible virtual currency (CVC) mixing as a primary money laundering concern (PMLC). In this regard, Coin Center highlighted the rule's extensive scope and lack of precedent. They argued that the proposed designation lacks clarity and narrowly tailored definitions, potentially leading to the misclassification of legitimate transactions as criminal.

[Refer: [Comments to the Financial Crimes Enforcement Network on "Proposal of Special Measure Regarding Convertible](#)

Virtual Currency Mixing, as a Class of Transactions of Primary Money Laundering Concern”]

1. Coin Center’s letter to the Senate Finance Committee highlighting the need for a regulatory approach that mirrors the successful, light-touch framework applied to the internet. Coin Center advocated for clear taxation guidelines on cryptocurrency transactions, emphasizing the importance of a de minimis exemption for minor gains from every transaction to facilitate the use of cryptocurrencies in daily commerce without undue tax burdens.

[Refer: [Coin Center Suggestions to Address Uncertain Tax Treatment of Digital Assets](#)]

1. Coin Center’s contributions to Roman Storm’s and Alexey Pertsev’s legal defenses in relation to the following:
2. Roman Storm’s legal dispute in relation to accusations levied against his person on charges of conspiracy to facilitate money laundering, operate an unlicensed money transmitter and violating sanctions [Court of New York]; and
3. Alexey Pertsev’s legal dispute in relation to accusations levied against his person on charges of facilitating money laundering [Netherlands Court].

[Refer: [Universal Declaration of Human Rights | United Nations](#)]

OBJECTIVE

Coin Center Contribution

The ArbitrumDAO is being provided the opportunity to vote & effect a contribution to Coin Center; the leading non-profit research and advocacy center focused on the public policy issues facing cryptocurrency and decentralized computing technologies.

By way of a brief; Coin Center’s mission is to defend the rights of individuals to build and use free and open cryptocurrency networks: the right to write and publish code – to read and to run it. The right to assemble into peer-to-peer networks. And the right to do all this privately.

Coin Center has been at the forefront of policy research, educating policymakers and the media about cryptocurrencies, advocating for sound public policy, and engaging in litigation to defend digital civil liberties of software developers and other stakeholders within the industry.

CONTRIBUTION TO COIN CENTER [A NOTE FROM THE ORGANIZATION]

Founded in 2014, [Coin Center](#) is an independent non-profit organization focused on the public policy issues facing cryptocurrency and decentralized computing technologies. Our mission is to defend the rights of individuals to build and use free and open cryptocurrency networks: the right to write and publish code – to read and to run it. The right to assemble into peer-to-peer networks. And the right to do all this privately. We do this by producing and publishing policy research, educating policymakers and the media about cryptocurrencies, advocating for sound public policy, and by engaging in litigation to defend digital civil liberties.

We are presently litigating two cases against the U.S. government. One is on Section 6050I crypto tax reporting, [pushing back against expanded warrantless financial surveillance](#). The other is a civil case [challenging the U.S. Treasury Department’s designation of immutable smart contracts](#). We argue that the Treasury does not have the statutory authority to add the Tornado Cash pool contracts to the list of sanctioned persons because immutable smart contracts are neither sanctioned persons themselves nor the property of any sanctioned person. We are fighting not only for the right of U.S. persons to continue using these tools but also seeking to set an important precedent: that the Treasury Department can’t simply identify decentralized apps and add them to the sanctions list without any evidence that the app is controlled by or enriches any sanctioned person.

We are also coordinating with Roman Storm’s legal defense on an amicus brief in his criminal defense. Our amicus focuses on accurately describing the operation of Tornado Cash and the role that developers play in creating decentralized apps like Tornado Cash. We argue that publishing decentralized app software, both to the blockchain and to web servers, is not the kind of activity that can give rise to prohibitions under U.S. sanctions laws because (a) U.S. sanctions laws exclude from prohibitions any transactions for information or information materials and (b) the U.S. Constitution’s First Amendment protects publishing software as “pure speech” warranting the strictest scrutiny from our courts.

Finally, we are [continuously engaged](#) in education and lobbying efforts in Congress and the various federal agencies in the U.S. to ensure that any changes to financial surveillance law does not impinge the free speech, privacy, and assembly rights of developers and users.

A grant to Coin Center will be used to support our ongoing work and to contribute to the legal defense of developers facing criminal prosecution.

CONCLUSIONS

In conclusion, the contributions mentioned above are not just a matter of protecting individual rights but a testament to our collective commitment to preserving the principles of innovation, decentralization, and individual sovereignty within the

industry. By supporting this initiative, we affirm our dedication to upholding these principles and defending the right of developers to contribute to the deployment of permissionless open-source software without fear of reprisal or censorship.

Funding

We propose allocating up to 2.5 Million ARB to this endeavor; with delegates having a tripartite voting choice via weighted voting.

Voting

The ArbitrumDAO has the following options to vote for in relation to effecting its contribution Safeguarding Software Developers' Rights:

- Fund CoinCenter with 1.5 Million ARB;
- Fund CoinCenter with 1.75 Million ARB;
- Fund CoinCenter with 2 Million ARB;
- Fund CoinCenter with 2.25 Million ARB;
- Fund CoinCenter with 2.5 Million ARB;
- Don't Fund

Discussions

A call will be held on Tuesday 09/04/2024 at 4PM UTC to discuss the proposal.