Extremist-friendly tech company closes after legal fine

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LBRY, the company whose video-sharing technology and bespoke cryptocurrency once powered the extremist-friendly video platform Odysee, announced on Twitter this week that it would close its doors after a federal judge in New Hampshire fined the firm more than $111,000 for violating registration provision in securities laws. The announcement saw the value of its LBRY Credit (LBC) cryptocurrency – which was at the center of the Security and Exchange Commission's (SEC's) two-year prosecution of the company – sink to around 1/3000th of a cent by Thursday night. Experts say that Twitter's more receptive attitude to extremists (just this week, far-right influencers bragged about the platform giving them five-figure payments) and LBRY's failure to legally defend its cryptocurrency-fueled "free speech" business model all cast a shadow on the future of other so-called "alt-tech" sites. These sites have tried to build businesses by offering platforms and income streams to those banned from big tech sites and mainstream payment processors. Launched in 2015, LBRY used blockchain technology as the basis for LBC and the LBRY protocol, which allows peer-to-peer distribution of content without centralized oversight or moderation. In a 2019 blog post, the LBRY founder, Jeremy Kauffman, touted the protocol as "the most censorship-resistant system to ever exist for the purposes of publishing digital content", and in publicity materials, the company has claimed that "LBRY does to publishing what Bitcoin does to money". In 2020, LBRY launched Odysee, a video publishing platform with a similar look and feel to YouTube, where users could easily publish and watch videos using the LBRY protocol, and a mechanism for buying LBC which users could use to support their favorite creators. Odysee did publish community standards, and repeatedly insisted that they could and would exclude material published through LBRY that did not meet them. In the wake of Covid-19, the November 2020 election, and the January 6 attack on the US Capitol, however, LBRY's management promoted the site in public and in private as a refuge for creators banned from mainstream sites over the promotion of conspiracy theories about coronavirus or stolen elections. In May 2021, the Guardian reported that Julian Chandra – then vice-president for growth at LBRY, now CEO of Odysee – told employees in an email that "being a white nationalist or nazi isn't grounds for removal. Are you nazi that makes videos about the superiority of the white race? That is NOT grounds for removal." At that time, Odysee was one of a number of "alt-tech" sites – others included BitChute and Rumble – whose looser moderation standards had a strong appeal for extremists. But developments at Twitter under Musk, new social media offerings from Meta, BlueSky and the growth of nonproprietary decentralized social media protocols such as Mastodon raise questions about alt-tech's survival. While Chandra's moderation decisions were made behind the scenes, the public face of LBRY and Odysee in that period was the founder and LBRY CEO, Jeremy

Kauffman, who himself became more involved in fringe rightwing politics during LBRY's history. Kauffman is now a member of the Libertarian party's far-right Mises caucus; the Free State Project, which seeks to encourage libertarians to move to New Hampshire in order to remodel the state's government. In 2022, he ran for the US Senate as a libertarian in New Hampshire, telling one interviewer he wanted "less democracy" in the country. When he took over the New Hampshire Libertarian party's Twitter for a period in 2021, Kauffman wrote that Republicans should "repeal the Civil Rights Act", and in another tweet wrote that "GitMo" should be "left open so that Anthony Fauci and every governor that locked their state down should be sent there". On his own account this week, Kauffman posted a 2020 AP picture of El Salvadoran prisoners crammed tightly crammed together in a yard with the caption, "my position on what should be done with every government regulator". The Guardian contacted LBRY for comment but received no immediate response. Megan Squire, the deputy director for data analytics and OSINT in the Southern Poverty Law Center's Intelligence Project, said alt-tech sites continue to have downsides for their users, including extremists hoping to use the sites to fund their activities. She said established big tech sites like Twitter offered "more eyeballs and bigger audiences" to extremists, and "also normalizes their ideas, so of course they're gonna want to be on them". Squire added that big tech's larger audiences go hand in hand with easier ways for creators to make money. "More eyeballs means bringing in more money. The user interface is going to be more sophisticated. You're going to have more options for where your payment goes and for currency conversions." She added that "mainstream sites bring mainstream benefits" to fans, who can "use credit cards instead of a sketchy crypto from who knows where". In 2021, Odysee was spun off into a separate company in the face of LBRY's mounting legal difficulties, and no longer uses LBC for on-site payments. (According to Squire, the site now uses Stripe as its payment processor.) Those legal troubles began in 2021 when an SEC complaint alleged that the coins were also investment contracts issued to "financially support [LBRY's] operations and promotional efforts". The agency claimed that from 2016 LBRY had illegally raised $12.2m from LBC sales. In a judgment last November, Judge Peter Barbaro agreed, determining that LBC tokens sold between 2016 and 2021 were an unregistered security, and the company had therefore violated the Securities Act. The judge rejected LBRY's argument that they had received insufficient notice of the SEC's rules on cryptocurrencies. LBRY's announcement came the same day that Judge Peter Barbadoro fined the company in accordance with his judgement last November. The judge thus agreed with the SEC's 2021 complaint alleging the company had illegally raised some $12.2m in a series of sales of LBC from 2016. When the judgement was handed down, the SEC initially asked for a $22m fine. In a May filing, they revised that down to $111,614, citing LBRY's "lack of funds and near-defunct status". The Guardian contacted the SEC for comment but received no immediate response. • This article was amended on 19 July 2023. An earlier headline and text said that LBRY had been fined for securities fraud. In fact the fine was for violating registration provision in securities laws.