

→ Blockchain

Sheppard Mullin's Blockchain and Fintech team helps clients develop innovative and comprehensive legal strategies to take advantage of what may be the most disruptive and transformative technology since the Internet. We focus on advising clients on how to meet their business objectives, without incurring unnecessary legal risk. Our team includes attorneys with diverse legal backgrounds who collectively understand the vast array of legal issues with and ramifications of blockchain and fintech.

Several things distinguish Sheppard Mullin from other firms who claim to have experience and expertise in the arena of blockchain and fintech:

- We have attorneys who have been working with digital currencies for over a decade and are true thought leaders and pioneers in the field.
- Many of Sheppard Mullin's largest and most highly-rated legal practice areas are relevant to providing top quality legal services to blockchain technology and digital currency clients.
- Our attorneys have an in-depth understanding of the technology and business aspects of this field, which enables us to more effectively advise clients on the associated legal issues.
- Many team members have specialized industry expertise which enhances our ability to provide strategic advice with industry-specific applications of this technology.

Through this unique combination of attorney skills, our multidisciplinary Blockchain Technology and Digital Currency team has an unparalleled depth and breadth of expertise to effectively assist clients with any and all of the relevant legal issues. We represent companies – from startups to Fortune 100 – who are pioneering innovative technologies and business models in this space, as well as the companies using these technologies.

Our attorneys are extremely focused on and passionate about the opportunities for blockchain and fintech. We recognize that the combination of these technologies along with IoT, AI, autonomous navigation, and other cutting-edge technologies have the potential to be even more transformative than the Internet. As attorneys with an entrepreneurial spirit, we are honored and thrilled to have the opportunity to advise companies who are pioneers in this space and help them achieve their business goals. We would welcome the opportunity to discuss how we can assist you.

The following is a sample of some of the legal services we offer:

Securities Law and Financial Services Regulation

While everyone is focused on Initial Coin Offerings (ICOs), many other securities law issues are often overlooked. We provide comprehensive advice to clients on all aspects of securities, commodities and other financial regulatory issues including:

- **Initial Coin Offerings (ICOs)** – We have significant experience advising clients on ICOs, cryptocurrency transactions, and other token-generating events. We have taken a cautious approach to ICOs, as we recognized early on the potential problems associated with some of the legal strategies touted by other

firms. Our team has numerous securities attorneys who have thought deeply about the securities issues and regularly advise clients on developing effective strategies to achieve business objectives while complying with the relevant regulations and avoiding unnecessary risk. In the long run, we believe this is the best approach for companies that want to build sustainable businesses as the regulatory landscape and guidance continues to evolve.

- **Stable Coins** – We have analyzed many of the “stable” coins and some of the additional legal issues that can arise with some of these offerings.
- **Tokenized Assets** – We have analyzed various tokenized assets and have advised on the potential scenarios where securities laws, gambling, and other legal issues may apply to these assets, marketplaces, and business models.

Intellectual Property

Sheppard Mullin’s nationally recognized Intellectual Property group has extensive experience in advising clients on comprehensive intellectual property protection strategies for blockchain technology and digital currency.

- **Patents** – We are on the leading edge of patenting innovations for these technologies. We have one of the largest patent groups in the country and regularly advise clients on patent strategies for protecting innovations in this space. Our team includes a number of former Patent Examiners and attorneys who have been filing and obtaining patents on various aspects of digital currencies for well over a decade. We often leverage the Fast Track program in the U.S. Patent Office to obtain patents on an expedited basis. In one case, we helped a client secure the grant of a blockchain-related patent within nine months from the date we filed it. For more information, please see our white paper on Patent Strategies for Cryptocurrencies and Blockchain Technology.
- **Other Intellectual Property** – Our Intellectual Property team, including some of the industry leading trademark, copyright, and trade secrets attorneys, assists clients with developing strategies for comprehensively protecting all aspects of intellectual property and mitigating risks associated with infringing third party IP.

Gambling

Gambling related-issues with social games, esports, fantasy sports, and virtual items, including loot boxes, have been under intense scrutiny. Many companies are designing tokens, marketplaces, and platforms that focus on these issues. Sheppard Mullin has attorneys who have been advising game companies, industry organizations (e.g., the Entertainment Software Association), and others on these gambling-related issues in many cases for over a decade. We have some of the most in-depth experience in the country on gambling issues involving digital currencies and virtual items. We have applied this extensive experience to assisting companies in designing business models that achieve their desired business objectives without incurring unnecessary risks of running afoul of gambling laws.

Open Source

To date, most blockchain projects, crypto currencies, and tokens have been based on open source software and protocols. Our team has extensive experience with open source legal issues and can help advise on all of the associated ramifications with open source licenses. We help clients understand the ramifications of open source licenses and compliance obligations; advise clients on how to avoid having open source software

adversely impact proprietary software, and understand the patent ramifications of open source licenses. We have extensive experience in conducting open source diligence and have a number of attorneys who have received Black Duck open source legal certification. For more information on our open source services, please see our Open Source team page.

Other Legal Issues with Specific Aspects of Blockchain Technology

- **Smart Contracts** – We recognize the game-changing potential of smart contracts and have developed in-depth experience on the range of legal issues associated therein. A number of our attorneys have actual computer programming skills which enhances our ability to advise clients on smart contract-related legal issues. We have a number of team members who specialize in technology transactions and hold leadership positions in some of the world’s leading technology organizations to stay up-to-date on the cutting-edge issues with smart contracts and other aspects of transactions relevant to blockchain technology.
- **Tokenized Assets** – The power of blockchain to tokenize digital and physical assets has the potential to transform the way many business processes are performed. As digital title systems, smart property, and other applications become more widely used, our team is prepared to advise clients on the myriad legal issues that will inevitably arise.
- **DAPPs and DAOs** – We have analyzed many of the legal issues with decentralized apps and decentralized autonomous organizations and have attorneys focused on the legal issues that can arise with these applications.
- **Private/Permissioned Blockchains** – As blockchain technology is adopted by enterprises, particularly ones in certain regulated industries, and in other situations where use of a public blockchain is not feasible, private, permissioned, and consortium blockchains will be used. For some applications, a hybrid public/private approach will be used. These approaches share some common issues with public blockchains but can implicate issues that differ from or extend beyond those. We have worked with numerous companies that are adopting these alternatives.

Anti-Money Laundering, Sanctions, Privacy and Cybersecurity

One of the challenges blockchain technology and digital currency businesses face is addressing the quickly evolving regulations in the areas of Anti-Money Laundering, Sanctions, Privacy and Cybersecurity. We regularly advise clients on how to meet their compliance obligations for these emerging regulations.

- FinCEN Regulations. We advise clients on the Financial Crimes Enforcement Network’s (FinCEN) regulations, including its guidance on convertible virtual currency and the Bank Secrecy Act; money transmitter and money service businesses issues.
- AML Compliance. We guide clients in developing and implementing Anti-money Laundering (AML) compliance policies, procedures and training programs for personnel.
- OFAC Regulations. We counsel clients on all aspects of compliance with economic sanctions regulations administered by the Treasury Department’s Office of Foreign Assets Control (OFAC).
- Privacy & Cybersecurity. We advise clients on consumer protection and privacy and cybersecurity matters, including developing and implementing effective Privacy policies and procedures, data security incident response planning and cybersecurity issues. Our representations involve every aspect of cybersecurity and digital asset management from diligence in acquisitions and investments, California Consumer Privacy Act compliance, incident preparedness and response, advising on consumer and state notices, responding to

regulators, and defending companies in litigation relating to cyber events.

Experience

- Developed patent strategies for leading blockchain companies, including ones focused on:
 - Stable coins
 - Digital rights management
 - Advertising models
 - Blockchain-based project management platform
 - Blockchain-based photo verification
- Provided advice to companies on:
 - Crypto gaming legal issues
 - Digital collectibles legal issues
 - Smart contracts
 - Gambling issues with tokenized assets and marketplaces
- Advised board of publicly traded company on acquisition of blockchain-based technology company
- Advised leading online retailer on use of crypto currency by retailers, including accepting crypto payments and supply chain issues
- Advised company on blockchain-based network time protocol
- Represented a recognized leader in digital currency security in all aspects of its business including SAAS agreements, enterprise customer contracts, and technology development
- Represented one of the premier digital currency payment companies in payment gateway and business partnership agreements with PayPal, Apriva, and other companies
- Advised Blockchain company in structuring channel relationships for customer acquisition and international distribution
- Advised manufactures of Bitcoin network verification equipment (mining equipment) in all aspects of business including semiconductor development agreements, distribution agreements, technology licensing, and venture financing
- Guided industry participant companies seeking regulatory compliance domestically and internationally
- Represented Blockchain companies and investors in numerous financings
- Advised a Bitcoin industry client on responding to a major cyber incident involving the theft of millions of dollars in Bitcoin from a business partner
- Represented a multi-strategy trading firm in its issuance of cryptodebt in collaboration with a major retail company's cryptosecurities trading platform
- Advised leading digital asset secured based lender regarding the application of Article 8 & 9 of the Uniform Commercial Code for its novel bitcoin internet lending platform.
- Advised leading digital asset secured based lender regarding the Commodities Exchange Act.
- Advised leading digital asset secured based lender regarding trademark issues.

- Advised leading digital asset secured based lender regarding third party bitcoin custodial account agreements.