



Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Electronically issued : 12-Aug-2020  
Délivré par voie électronique : 12-Aug-2020  
Toronto

**EQUIBIT GROUP LTD.**

Plaintiff

and

**THE ATTORNEY GENERAL OF CANADA, JOHN DOE, JANE DOE,  
SERGEI SACHKOV AND KARTIK PATEL**

Defendants

**STATEMENT OF CLAIM**

**TO THE DEFENDANT**

**A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU** by the Plaintiff. The Claim made against you is set out in the following pages.

**IF YOU WISH TO DEFEND THIS PROCEEDING**, you or an Ontario lawyer acting for you must prepare a Statement of Defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the Plaintiff's lawyer or, where the Plaintiff does not have a lawyer, serve it on the Plaintiff, and file it, with proof of service in this court office, **WITHIN TWENTY DAYS** after this Statement of Claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your Statement of Defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a Statement of Defence, you may serve and file a Notice of Intent to Defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your Statement of Defence.

**IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.**

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date \_\_\_\_\_ Issued by \_\_\_\_\_  
Local Registrar

Address of court office: Superior Court of Justice  
393 University Avenue, 10th Floor  
Toronto ON M5G 1E6

TO: The Attorney General of Canada  
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Toronto, Ontario M7A 2S9

John Doe

Jane Doe

Sergei Sachkov  
3141 Abernathy Way  
Oakville, Ontario L6M 5C2

Kartik Patel  
14 Grantbrook Street  
North York, Ontario M5R 2E7

## CLAIM

1. The Plaintiff claims:

(a) damages:

(i) against the Attorney General of Canada, John Doe and Jane Doe, on a joint and several basis, for inducing breach of contract, conversion, knowing receipt in breach of trust, knowing assistance in breach of trust and conspiracy;

(ii) against Sergei Sachkov and Kartik Patel, on a joint and several basis, for breach of contract, breach of confidence, breach of trust, breach of fiduciary duty and conspiracy,

in the combined amount of \$100,000,000.00 (ONE HUNDRED MILLION DOLLARS);

(b) special damages in an amount to be determined with particulars provided prior to trial;

(c) punitive, exemplary and/or aggravated damages in the amount of \$20,000,000.00 (TWENTY MILLION DOLLARS);

(d) an order, at equity or at common law, as necessary, tracing all of the Plaintiff's property and assets into the hands of the Defendants or any other persons to whom such property and assets have been transferred, including to persons outside Ontario or Canada;

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- (e) an interim order pursuant to s. 104 of the *Courts of Justice Act*, R.S.O. 1990, c. C. 43, for the recovery of the Plaintiff's property which was unlawfully taken from the Plaintiff by the some or all of the Defendants;
- (f) in the alternative to (e), an interim order pursuant to Rule 45 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, for the preservation of the Plaintiff's property in the possession of the Defendants;
- (g) If necessary, an order granting Christopher Horlacher, the Plaintiff's director, leave to prosecute derivative claims on behalf of the Plaintiff as hereinafter particularized, pursuant to section 239 of the *Canadian Business Corporations Act*;
- (h) Pre-judgment and Post-judgment interest pursuant to the *Courts of Justice Act*, R.S.O. 1990, C. C.43;
- (i) Costs of this action on a substantial indemnity basis; and
- (j) Such further and other Relief as to this Honourable Court may seem just.

## **THE PARTIES**

2. The Plaintiff, Equibit Group Ltd. ("Equibit"), is a corporation, incorporated pursuant to the laws of Canada, with registered offices in Toronto, Ontario.

3. The Defendant, the Attorney General of Canada, is named in accordance with s. 23(1) of the *Crown Liability and Proceedings Act*, R.S.C., 1985, c. C-50, as amended, and represents all interests of Her Majesty the Queen in Right of Canada as a Defendant in this Action and is the

legal entity liable for all torts committed by Her Majesty the Queen in Right of Canada's servants and agents.

4. The Defendants, John Doe and Jane Doe named to represent those who were at all material times employed as members of the Canadian Security Intelligence Services ("CSIS"), Canada's civilian security intelligence services constituted under the *Canadian Security Intelligence Service Act*, R.S.C. 1985, c. C-23, and others, involved in inducing breach of contract, conversion, knowing assistance in breach of trust, knowing receipt in breach of trust and/or conspiracy as against Equibit and its proprietary property, whose names are not currently known to Equibit and whose relevant actions and inactions are within the unique knowledge of the Defendants.

5. Those whose names are represented by John Doe and Jane Doe, hereafter collectively referred to as the "CSIS Defendants" were at all times acting in the course of their duties as servants and agents of Her Majesty the Queen in Right of Canada in respect of all matters alleged herein and the Attorney General of Canada is liable for all torts committed by them as against the Plaintiff.

6. Her Majesty the Queen in Right of Canada, pursuant to s. 3 of the *Crown Liability and Proceedings Act* is also vicariously liable for all tortious acts and omissions committed by those with responsibility and charge over the CSIS Defendants and, in particular, in approving and condoning the tortious acts and omissions of the CSIS Defendants, including Ministers and the Director of CSIS, David Vigneault.

7. The Defendant, Sergei Sachkov, was employed as Equibit's Senior Developer from March 13, 2017, and whose employment was governed by the terms of a written employment agreement. Mr. Sachkov resigned suddenly on August 13, 2018.

8. The Defendant, Kartik Patel, was employed as Equibit's Full Stack Developer from June 18, 2018, and whose employment was governed by the terms of a written employment agreement. Mr. Patel resigned suddenly on July 20, 2018 (hereafter collectively referred to with Mr. Sachkov, as the "Employee Defendants").

## **EQUIBIT**

9. Equibit was incorporated in 2015 to write the code for decentralized transfer agent service, including the registration of securities, using blockchain – an immutable, digital ledger for recording transactions. These services would be provided via an online, peer-to-peer, Equibit dedicated network (the "Network") as an open, accountable and transparent alternative to traditional over-the counter securities trading services.

10. Similar to Bitcoin, the Network was to contain minable tokens, or, equibits ("EQB Tokens") with a total of 22 million EQB Tokens minable over 55 years. These Tokens were to have empty information fields, fillable by the Network's users (such as securities' issuers) to enable the registration, creation, trade and holding of securities on the Network.

11. In June 2018, Equibit received a declaration from the Canada Revenue Agency that all work claimed by Equibit met the definition of Scientific Research & Experimental Development in subsection 248(1) of the Income Tax Act.

12. On July 1, 2018, Equibit deployed a testnet – a testing version of the Network that permitted users to connect to it prior to dealing in money to assess viability and digital security safeguards. Consequent of the testnet, external testers and miners started supporting the project, increasing Equibit's goodwill in the blockchain community.

**MR. SACHKOV**

13. Mr. Sachkov, an experienced and skilled software developer with a Ph.D. in Mathematics and Physics, was, from the time he was retained by Equibit in March 2017, responsible for developing the software code for the Network's core, the digital mechanism through which users could connect to the Network (the "Core Code").

14. Throughout his tenure, Mr. Sachkov developed the Core Code on a computer laptop supplied by, and the property of, Equibit.

15. During the Core Code's development, Mr. Sachkov periodically updated Equibit's GitHub repository - an internet-based, collaborative software development platform containing a version of the Core Code only accessible to select individuals within Equibit.

16. During his employment with Equibit, Mr. Sachkov was also a Russian national, seeking his Canadian citizenship.

17. Prior to his resignation on August 13, 2018, in the spring/summer of that year, Mr. Sachkov had at least two interviews with some or all, of the CSIS Defendants. During the interviews the CSIS Defendants relayed to Mr. Sachkov confidential and proprietary information belonging to Equibit that was not publicly known. They also elicited and induced Mr. Sachkov to disclose to them, further confidential and proprietary information belonging to Equibit.

18. In or around July 2018, CSIS required Mr. Sachkov to travel to Russia to divest himself of a shareholding interest in a Russian business. While in Russia, Mr. Sachkov was informed by his business partners that the Main Directorate of the General Staff of the Armed Forces of the Russian

Federation, commonly known as the GRU, was seeking to speak to Mr. Sachkov about his work for Equibit.

19. On or around July 20, 2018, Mr. Sachkov ceased to update the Core Code on Equibit's GitHub repository and had sole custody and control over the later versions of the Code. At all times, these later versions of the Code in Mr. Sachkov's possession remained the property of Equibit. Mr. Sachkov held these later versions of the Code in trust for Equibit.

20. Around the same time, other developers with Equibit reviewed the Network's compiled core application against a version of the core code supplied by Mr. Sachkov and could not reconcile the two. Code in the compiled core application was absent or missing from their version of the code.

21. Mr. Sachkov resigned suddenly from Equibit on August 13, 2018. Upon his resignation, or shortly thereafter, Mr. Sachkov advised Equibit, without reasonable explanation, that he had lost the Core Code and returned his Equibit computer, reset to factory settings.

#### **MR. PATEL**

22. Mr. Patel was retained by Equibit from the same third-party employment agency as Mr. Sachkov.

23. From June 18, 2018, or shortly thereafter Mr. Patel was in charge of developing Equibit's encrypted wallet technology, until he suddenly resigned four weeks' later on July 20, 2018, stating to individuals with Equibit that he could not stay and work for Equibit because they were "good guys."

## **THE EMPLOYEE DEFENDANTS**

24. During their employment with Equibit and thereafter, the Employee Defendants were induced or, in the alternative, coerced, by the CSIS Defendants to disclose confidential, proprietary information belonging to Equibit.

25. At some time prior to Mr. Sachkov's resignation and return of his Equibit laptop in August 2018, the Defendants committed and engaged in acts, constituting misappropriating of the Core Code, with the intention of depriving Equibit of its proprietary and intellectual property. As a result, Equibit has been and continues to be, deprived of the Core Code.

## **THE EMPLOYMENT AGREEMENTS**

26. The Employee Defendants were retained by Equibit pursuant to employment agreements (the "Employment Agreements"), under which each, *inter alia*:

- (a) covenanted to "hold all Confidential Information in secrecy as trustee or custodian for [Equibit's] exclusive benefit and use" and to "not disclose or divulge, directly or indirectly, to any Person any of the Confidential Information", for a period of three years after the termination of his employment;
- (b) assigned to Equibit, "all rights to all Intellectual Property" they "conceived or created...as a result of providing services pursuant to [the Employment Agreements]" for a period of twenty-four months after the termination of his employment;

- (c) covenanted to “at all times (both during the period of [his] engagement hereunder and at all times thereafter) assist [Equibit] or its respective assignees or nominees in every way to protect the rights of [Equibit] under the [Employment Agreement];
- (d) covenanted to ensure they were “not at any time engaged in conduct which would constitute a conflict with the interests of [Equibit]” and to perform their duties “diligently, faithfully and honestly”.

27. Confidential Information was a defined term under the Employment Agreements and included, *inter alia*, “any confidential, proprietary or trade secret information about [Equibit] or [the business of the development of peer-to-peer securities registration and administration software and infrastructure, including, without limitation, the engineering of sophisticated private key infrastructure] or as disclosed by Equibit.

### **BREACH OF FIDUCIARY DUTY**

28. As employees in positions of trust and power, including by their possession, control and custody of Equibit’s proprietary property and confidential information, the Employee Defendants owed Equibit fiduciary, contractual and other duties, including duties of honesty, and loyalty. They also had duties to execute their obligations diligently, faithfully and honestly and in the best interests of Equibit, and a duty of good faith in the performance of their employment.

29. In disclosing confidential and proprietary information and/or acting in their own self-interest to the detriment of Equibit, the Employee Defendants committed breach of fiduciary duty and fundamental breach of the Employment Agreements.

## **BREACH OF CONFIDENCE**

30. At all material times, the Employee Defendants had a contractual and a common law obligation of confidence over Equibit's confidential information.

31. The Employee Defendants breached their obligation of confidence, without Equibit's express or implied consent, in disclosing Equibit's confidential information to the CSIS Defendants.

32. In inducing the Employee Defendants to disclose Equibit's confidential information and breach their obligation of confidence to Equibit, the CSIS Defendants are also liable for the Employee Defendants' breach of confidence.

33. In the alternative, each of the Employee Defendants breached their obligation of confidence by using Equibit's confidential information for his own benefit, without Equibit's express or implied consent.

## **INDUCEMENT OF BREACH OF CONTRACT**

34. At all material times, the Defendants were aware, or had knowledge, of the Employment Agreements.

35. In inducing the Employee Defendants to breach the Employment Agreements, the CSIS Defendants intended to cause harm to the contractual relationship between Equibit and the Employee Defendants.

36. The nature of the inducement by the CSIS Defendants is within the unique knowledge of the Defendants and not Equibit's, but it included, *inter alia*, providing or assisting Mr. Sachkov

with the acquisition of his Canadian citizenship, or threatening to withhold Canadian citizenship from Mr. Sachkov.

## **CONVERSION**

37. The CSIS Defendants committed willful interference, including by misappropriating and/or destroying the Core Code, and acted in a manner inconsistent with Equibit's proprietary rights, intellectual property rights and its right of possession, over the Core Code.

38. In misappropriating and/or destroying the Core Code, the CSIS Defendants acted in bad faith and intended to permanently deprive Equibit of the Core Code.

## **KNOWING RECEIPT AND KNOWING ASSISTANCE, IN BREACH OF TRUST**

39. If the CSIS Defendants did not coerce the Employee Defendants into handing over Equibit's trust property, the trust property was transferred to the CSIS Defendants with the knowledge and active participation of the Employee Defendants, to assist the CSIS Defendants in causing irreparable financial and reputational harm to Equibit.

40. The transfer of the Core Code was done with the knowledge by the CSIS Defendants that the transfer was in contravention of the fiduciary, contractual and other duties owed by the Employee Defendants to Equibit and constitute knowing receipt in breach of trust.

## **CONSPIRACY**

41. The Defendants agreed and conspired to commit overt and tortious acts to deprive Equibit of the Core Code as pleaded above, with the predominate purpose of causing injury to Equibit and, in particular, without limiting the generality of the foregoing, for the purpose of causing financial

and/or irreparable reputational harm to Equibit and cause it to fail in its objective to, *inter alia*, act as a decentralized transfer agent for the registration of securities.

42. In the alternative, the Defendants, agreed and conspired to act unlawfully, as pleaded above, where the likelihood of injury to Equibit was known or ought to have been known to the defendants. In particular, without limiting the generality of the foregoing, the defendants knew or ought to have known that by depriving Equibit of the Core Code, Equibit would suffer financial and/or irreparable reputational harm.

### **DAMAGES**

43. As a result of the torts committed by the Defendants as pleaded above, Equibit suffered loss and damage, including, *inter alia*:

- (a) loss of work product, time and expense, incurred to develop the confidential information disclosed by the Employee Defendants and the misappropriated and/or destroyed proprietary intellectual property; and
- (b) damage to its trading reputation, including through loss of investor confidence, goodwill in the blockchain community, and a decrease in its ability to raise funding.

44. Equibit claims against the Defendants for damages of up to one hundred million dollars, as, *inter alia*, general damages, development costs, damages for loss of market value and damages for loss of profits, caused by the Defendants' tortious conduct and breach of duty.

45. In the commission of the torts, pleaded above, the Defendants engaged in malicious, high-handed, vindictive, and reprehensible conduct, worthy of attracting the condemnation and punishment of this Honourable Court through an award of punitive damages against them.

46. Equibit pleads and relies upon the *Crown Liability and Proceedings Act* R.S.C., 1985, c. C-50, the *Canadian Security Intelligence Act*, R.S.C., 1985, c. C-23, the *Department of Public Safety and Emergency Preparedness Act*, S.C. 2005, c. 10, the *Canada Evidence Act*, R.S.C., 1985, c. C-5, the *Crown Liability and Proceedings (Provincial Court) Regulations*, SOR/91-604 and the *Courts of Justice Act*, R.S.O, 1990, c. C. 43.

47. Equibit proposes that this action be tried in Toronto, Ontario.

Date: August 12, 2020

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**EQUIBIT GROUP LTD.**

and

**THE ATTORNEY GENERAL OF CANADA,  
JOHN DOE, JANE DOE, SERGEI SACHKOV  
AND KARTIK PATEL**

Plaintiff

Defendants

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**STATEMENT OF CLAIM**

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