

US government sues Kansas bitcoin business

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A company that offered bitcoin-generating computers is being sued by the U.S. Federal Trade Commission, which said it bilked more than 20,000 consumers out of as much as \$50 million.

The Leawood-based company, Butterfly Labs, failed to deliver the machines or sent worthless equipment, according to the FTC's complaint filed in U.S. District Court in Kansas City.

The court had issued a temporary restraining order that shut down the business, according to an FTC statement Tuesday, The Kansas City Star (bit.ly/1B6tyvB) reported.

Bitcoins are virtual currency that have gained traction as a way to buy and sell some goods and services instead of using dollars or other government-issued money. They are created by computers set up to resolve complex algorithmic formulas, which earns a person bitcoins.

Businesses and individuals can agree to do business using bitcoins instead of dollars, and they can be traded for dollars on an exchange. The value of bitcoins fluctuates wildly and was \$428.67 late Wednesday morning, according to Coindesk.

Butterfly Labs issued a statement Tuesday calling the FTC's actions heavy-handed and said the lawsuit blocked the company's ability to ship millions of dollars of orders on its books and issue requested refunds.

Butterfly has "shipped more than \$33 million in products to customers

and voluntarily granted refunds approximating \$17 million to customers for canceled orders," the company said. "The government wants to shut Butterfly Labs down, and we are not going away without a fight to vindicate bitcoin, our company, and our employees."

The FTC contends the company failed to deliver equipment that customers had paid for in advance or delayed delivery so long that the equipment was ineffective for producing bitcoins. The agency said it had received hundreds of complaints about Butterfly Labs directly and thousands indirectly.

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