Ryval’s Tokenization of Litigation Financing: An Aid to the Indigent or a Trap for the Unwary?

Can cryptocurrency play a role in financing litigation for indigent plaintiffs that would otherwise lack the resources to pursue meritorious claims? New York attorney Kyle Roche believes so, and plans to launch early this year a platform that provides summaries of cases and enables investors to purchase cryptocurrency tokens representing shares in litigation outcomes. The tokens can be traded (subject to a one-year lock-in period for unaccredited investors only) and are likely to fluctuate in value as cases progress through discovery and pre-trial rulings. When a case finally resolves via dismissal, verdict, or settlement, investors can either cash their token in for a share of the proceeds or will lose their investment entirely—depending on which party they funded. Roche has dubbed his startup, called Ryval, “the stock market of litigation financing,” and has promised over 50 percent in annual returns to investors.¹

Reactions to Ryval’s business model have been mixed. Some argue that litigation financing promotes access to justice: without funds for litigation, individual plaintiffs lacking extensive financial resources would be unable to outlast the well-funded corporations they sue, or might be discouraged from bringing valid claims in the first place. Ryval’s GoFundMe-esque approach to litigation financing solves this collective action problem by pairing such plaintiffs with financiers. Additionally, Ryval’s use of cryptocurrency opens up the litigation financing market to unaccredited and international investors,² who were previously excluded from this profitable industry to the benefit of accredited investors such as high-net-worth individuals, banks, insurance companies, brokers, and trusts.³

Others have been less optimistic about Ryval in particular and litigation financing in general. Some doubt that Ryval will actually promote public interest lawsuits over more lucrative alternatives, and are skeptical that the platform will responsibly vet litigants and provide accurate summaries of cases and their odds—which could cause inexperienced investors to fall prey to opportunistic lawyers.⁴ It is also feared that outside money will affect the judgment of attorneys, causing them to act in the interest of financiers rather than their own clients: for example, while an early and modest settlement may be in the client’s best interests, an attorney could be pressured by the influence of litigation financing to talk the client into trying the case to verdict.⁵

--Reagan Schmidt

Litigation financing provides funding to plaintiffs that would otherwise lack the resources to bring deserving claims to their conclusion. A tech startup called Ryval plans to expand this growing sector by allowing investors to buy and sell cryptocurrency tokens representing shares in litigation outcomes.

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¹ https://ryval.market/
³ https://www.investopedia.com/terms/a/accreditedinvestor.asp.
Reagan Schmidt is a 2L from Mission Viejo, California, who graduates in 2023. He hopes to practice litigation in Los Angeles and enjoys golfing and mixology in his free time.