Crypto Mining Power, AI Evidence, and the Shelf of Death: Six Legal Tests from One Purpose v DMG Blockchain

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Digital asset operators may treat legal documentation as an administrative afterthought, assuming industry norms or chat-app assurances will fill the gaps if a counterparty underperforms. Courts take the opposite view. As cross-border crypto commentary from Wasel & Wasel has consistently noted, from Canadian authorization disputes like *HoneyBadger Enterprises Ltd. v Bue* to regional analyses of WhatsApp-based crypto deals, judges do not treat digital asset litigation as legally exotic. Established contract, fraud, and evidentiary doctrines govern, and written risk allocation controls.

One Purpose Corp Limited v DMG Blockchain Solutions Inc. (2026 BCSC 2133), decided on November 3, 2026, by Justice Hoffman of the Supreme Court of British Columbia, applies that principle directly to cryptocurrency mining infrastructure. Dismissing all claims brought by Ether miner One Purpose against hosting provider DMG and two of its executives, the judgment distills six legal tests that every hosting operator, miner, and digital asset counsel should understand.

Fraudulent Misrepresentation: Present Fact vs. Deployment Schedules

To prove fraudulent misrepresentation under *Catalyst Pulp* and *Wang v Shao*, a claimant must establish five elements: a representation of fact, falsity, knowledge of falsity or recklessness, intent to induce action, and actual reliance

(para. 82). While there is “no heightened standard of proof merely because the claim sounds in fraud,” the evidence must still be “sufficiently clear, convincing, and cogent” under *F.H. v McDougall* (para. 86).

For crypto infrastructure disputes, two constraints within this test prove decisive:

- **The Entire Agreement Barrier:** One Purpose relied heavily on a post-contract internal email from DMG’s CTO noting that “[e]xpectations were set by James [McDowall] that we had open shelf space and that we would have miners online as soon as they arrived at our facility” (para. 90). Yet informal chats cannot override contract architecture. Because One Purpose never secured a written timeline and signed an “entire agreement” clause disclaiming external representations (para. 100) and admitted on discovery that it had no other suitable global hosting options, both representation and reliance failed (paras. 102–105).
- **Forward-Looking Schedules Are Not Representations of Fact:** Under *PD Management*, actionable statements “must relate to a past or presently existing state of facts” (para. 84). A future rollout schedule is only actionable under *Pan v Dong* if “it can be demonstrated that the party making it did not have the intent to carry out that conduct” when made (para. 84). Because DMG pivoted to temporary stacks and racked 985 miners within two weeks of its target date, with the shortfall largely explained by defective rigs, including non-operable units relegated to what technicians called the “shelf of death” (paras. 112–114, 117), Justice Hoffman was “unable to conclude that, when the schedule was provided, DMG had no intention of attempting to meet it” (para. 118).

Good Faith Is Not a Fiduciary Duty, And Liability Can Be Capped

Relying on the Supreme Court of Canada's trilogy (*Bhasin*, *Callow*, and *Wastech*), One Purpose argued that unanswered emails, electrical buildout deliberations, and DMG's shift toward self-mining breached the duty of good faith and honest performance (para. 120).

Justice Hoffman drew the exact statutory and common-law boundaries of that doctrine:

- **No Duty to Subordinate Self-Interest:** Good faith requires performing contractual duties "honestly and reasonably and not capriciously or arbitrarily" (para. 122), and *Callow* prohibits "failing to correct a misapprehension created through its own misleading conduct" (para. 123). However, the duty "does not impose either a duty of disclosure or the loyalty required of a fiduciary. Nor is a party required to subordinate his or her own interests to those of the other party" (para. 124).
- **Internal Deliberations Are Not Deception:** Even an internal August 2020 email from DMG's former CEO proposing to "boot Brad [Yasar] (or increase his hosting cost) as he must be making a ton of money right now, to make more room at CL" did not breach honest performance (para. 159). As the Court held, "DMG had no duty to disclose its internal deliberations to One Purpose or its views of One Purpose as a client" (para. 163).
- **No Free Upgrade to Tiered Service:** Many of One Purpose's complaints amounted to "assertions that DMG failed to provide One Purpose with a level of service that One Purpose neither bargained nor paid for under the terms of the Hosting Agreement" (para. 156). Maintenance was optional and separately billed under Clauses 3.2 and 6; unpaid goodwill repairs did not create a perpetual obligation (paras. 133–138).
- **Limiting Damages for Bad Faith:** In *obiter*, Justice Hoffman cited *1401380 Ontario Limited (Wilderness North*

Air) v Hydro One Remote Communities Inc. (2025 ONCA 827) for a point of immediate drafting utility: "while parties are not permitted to exclude the duty of good faith through contractual terms, they remain free to construct contracts to limit the scope of their liability for breach of the duty" (para. 165).

"Reasonable Endeavours" Requires Proof of Industry Practice

Mining hosting agreements commonly dilute uptime guarantees into "reasonable endeavours" clauses. Under *Atmospheric Diving Systems* and *1092369 Alberta Ltd.*, reasonable efforts impose a lesser standard than "best efforts," requiring only a "prudent and moderate measure of sustained diligence" (para. 171).

Critically, Justice Hoffman applied *Banque Indosuez v Canadian Overseas Airlines*: "to establish a breach of a reasonable endeavours obligation under a contract, the onus lies on the party alleging the breach to lead evidence to establish the industry practice against which the conduct in question can be judged" (para. 172). Because One Purpose "did not call any evidence to establish industry practice for non-tiered hosting facilities," its contract claims on power, connectivity, security, and maintenance failed on the evidentiary record alone (para. 173).

Technical Notice Breaches Yield Zero Damages Without Causation

DMG committed one undisputed contractual breach: Clause 10.1 required 60 days' termination notice, but DMG's June 28, 2021, letter mistakenly stated 15 days (paras. 158, 174). In commercial litigation, however, a technical breach is inert without causal loss. Because DMG granted One Purpose's request for additional time and provided its own staff to help pack the rigs through mid-August 2021, Justice Hoffman found she was "not satisfied that any loss has been proven to flow from the deficiency in the notice provided" (para. 174).

Missing On-Chain Records and Adverse Witness Inferences

Where memories fade, courts test testimony against "the preponderance of the probabilities which a practical and informed person would reasonably see as arising in the relevant context" (*Faryna v Chorny*, para. 48). One Purpose failed to produce core operational records, including "mining pool records, financial statements, business plans, financial projections, tax records," written equipment warranties, and its own AirTable repair log (paras. 63, 80, 117).

Equally instructive is the Court's application of *Gondor v British Columbia (Attorney General)* (2025 BCCA 281) to One Purpose's decision not to call its owner, Adam Melton, who lived outside the Court's subpoena power in Washington State (paras. 73, 77). Because a party bears its own burden of proof and Melton was practically accessible to One Purpose, Justice Hoffman exercised her discretion to draw an adverse inference: "I infer that Mr. Melton's evidence would not have assisted One Purpose in establishing its reliance on the alleged misrepresentations or its alleged mine and hold strategy" (para. 79).

Unverified AI-Generated Litigation Aids Carry No Evidentiary Weight

Finally, the decision offers a clear 2026 rule of thumb on artificial intelligence in the courtroom. During trial, DMG's CTO used AI to synthesize disclosure and trial testimony into Excel spreadsheets tracking facility capacity and miner rollout, and "acknowledged that he did not independently verify the AI-generated document against the source information" (para. 70). Justice Hoffman excluded it from her fact-finding: "As an after-the-fact consolidation of information from multiple sources, this document has limited evidentiary value. I have not relied on these spreadsheets to make any factual determinations" (para. 70).

The Bottom Line for Digital Asset Investors

One Purpose v DMG Blockchain reduces complex mining litigation

to a clean commercial checklist. Informal chat assurances will not bypass an entire agreement clause; reasonable-endeavours provisions cannot be litigated without expert evidence of non-tiered industry benchmarks; limitation-of-liability clauses can be drafted to cap even good-faith exposure; and neither missing mining-pool logs nor unverified AI spreadsheets will survive judicial scrutiny. In digital asset infrastructure, the margin between a viable claim and a costs award is built in the contract, and preserved in the records, long before the rigs go offline.

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