Misappropriated Mining Hardware and Newly Minted Tokens: Analysis of Yimiao v 3V (Supreme Court of Victoria) – Opportunity Loss, Unjust Enrichment, and Constructive Trusts

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Introduction

The Supreme Court of Victoria's judgment in *Yimiao Australia Pty Ltd v 3V Development Australia Pty Ltd* [2026] VSC 133 provides a detailed examination of how established common law and equitable doctrines apply to the unauthorized retention of cryptocurrency mining hardware and the subsequent generation of digital assets. Delivered by Justice Attiwill, the decision addresses the quantification of damages in volatile digital asset markets, the application of unjust enrichment to misappropriated infrastructure, and the equitable classification of newly minted cryptocurrency.

This article objectively outlines the facts and legal findings of the judgment, and it compares the Victorian Supreme Court's approach with the legal frameworks in the United Kingdom (UK), Hong Kong (HK), the Dubai International Financial Centre (DIFC), and the Abu Dhabi Global Market (ADGM), focusing on global hot topics such as digital asset valuation and equitable tracing.

The Factual Matrix

The plaintiff, Yimiao Australia Pty Ltd, purchased 1,598 Bitmain L7 Antminer machines, configured to mine Litecoin and Dogecoin. These machines were hosted at a site in Victoria owned by the defendant, 3V Development Australia Pty Ltd (3V).

The Court found that on 25 July 2022, 3V excluded Yimiao's agents from the premises. The Court stated that "3V voluntarily took possession of the Yimiao Machines without any legal right to do so" [987]. Subsequently, 3V disconnected the hardware from Yimiao's designated mining pool and connected a portion of the machines to F2Pool and ViaBTC mining pool accounts linked to 3V personnel, including its sole director, Dajian Li. The Court found that 3V utilized the hardware to mine 8,850,529 Dogecoin and 4,806 Litecoin [1010].

Yimiao initiated proceedings claiming bailment, detinue, conversion, trespass to goods, restitution, and knowing receipt of trust property against 3V and Dajian Li.

Quantification of Damages and Loss of Commercial Opportunity

A primary issue before the Court was the quantification of damages for Yimiao's "loss of a commercial opportunity" to mine cryptocurrency over the hardware's four-year lifespan. Yimiao sought over AUD $26 million, relying on expert evidence projecting future network hashrates (mining difficulty), token issuance, and a realization strategy where tokens would be held until reaching specific fiat values.

Justice Attiwill confirmed the availability of damages for a lost commercial opportunity but rejected Yimiao's calculation. Applying principles from *Sellars v Adelaide Petroleum NL* and quoting the High Court in *Cessnock City Council v 123 259 932 Pty Ltd*, the Court noted that a plaintiff is given a "'fair wind' but not a 'free ride'" [541] when a defendant's wrongdoing causes uncertainty.

The Court found the expert's methodology unreliable, observing that it failed to properly account for the mathematical hard

caps on token issuance and abandoned historical average pricing when updating forecasts. Justice Attiwill held:

“In my view, the value of the opportunity that Yimiao lost cannot be ascertained by reference to the degree of possibilities and probabilities. There is insufficient evidence of what the value of that opportunity might have been. Yimiao did not adduce important evidence of value, despite being able to do so. In addition, important evidence of Mr McNew is not cogent and is unreliable. As a result, there are substantial and important gaps in the evidence concerning value. In these circumstances, it is not for the Court to use uninformed guesswork to determine the issue of damages.” [653]

Consequently, the Court awarded nominal damages of $100 for the torts of conversion and detinue regarding the lost profits [917].

The insistence on objective, non-speculative evidence when claiming damages in volatile digital asset markets is consistent across major common law jurisdictions. In the UK and Hong Kong, courts demand rigorous economic models to establish quantum in digital asset disputes. For example, in the UK (*B2C2 Ltd v Quoine Pte Ltd* [2020] SGCA(I) 02, applying common law), courts have rejected retrospective, hypothetical trading strategies for volatile assets. Similarly, the DIFC Digital Assets Law (DIFC Law No. 3 of 2024) expressly defines digital assets as property but relies on standard common law principles of foreseeability and certainty for damages. The ADGM, applying English common law via the Application of English Law Regulations 2015, mirrors this approach, aligning with the Victorian Court’s refusal to engage in “uninformed guesswork.”

Restitution and Unjust Enrichment: Objective Valuation of Hardware

While the claim for future crypto profits failed due to evidentiary deficiencies, Yimiao successfully recovered AUD $14,850,066.72 under the doctrine of restitution for unjust enrichment.

The Court determined that 3V was unjustly enriched by obtaining possession of the machines. Quoting the High Court in *Redland City Council v Kozik*, Justice Attiwill noted:

“A claim for restitution of unjust enrichment requires a defendant to have received some benefit for which restitution must be made. Unlike compensation or loss, and unlike the prophylactic principle of accounting for and disgorging a defendant’s net profits, restitution of unjust enrichment focuses upon the benefit of the transaction between the plaintiff and the defendant.” [936]

The Court categorized the relevant benefit not as the actual cryptocurrency generated, but as the “opportunity to use the machines.” The Court observed:

“Where a person obtains property of another person without the authority or consent of that person, and obtains a benefit in doing so (ie the opportunity to use it), this may give rise to a claim for restitution of an unjust enrichment.” [942]

To value this benefit, the Court utilized the objective replacement cost of the hardware at the time of the misappropriation. Relying on expert evidence that a new L7 Antminer was valued at $19,310.88 AUD on 25 July 2022, the Court awarded restitution based on the 769 unreturned machines:

“The missing Yimiao Machines were received by 3V, and have never been returned to Yimiao. On and from 25 July 2022, 3V received the benefit of the opportunity to use the Yimiao Machines… In these circumstances, the replacement value as at 25 July 2022 is an appropriate measure of the objective value of the missing Yimiao Machines… It is the amount of

$14,850,066.72. This is the value of the benefit retained by 3V at the expense of Yimiao." [964-965]

The treatment of digital asset infrastructure as property subject to objective restitution aligns with approaches in the UK, HK, DIFC, and ADGM. Under English law, unjust enrichment requires that a defendant be enriched at the claimant's expense without a juristic reason. Courts frequently grant restitutionary remedies for the objective value of misappropriated property, often assessed via a hypothetical "reasonable hiring fee" or replacement cost (*Attorney General v Blake* [2001] 1 AC 268). The DIFC and ADGM Courts apply similar tests derived from English equity. By anchoring the unjust enrichment claim to the physical hardware's replacement cost rather than the volatile digital tokens it produced, the Victorian Court utilized a valuation mechanism widely accepted across these international jurisdictions.

Constructive Trusts and Knowing Receipt: Hardware vs. Newly Minted Tokens

A central legal issue was whether the newly minted Dogecoin and Litecoin constituted trust property, which would trigger third-party liability for Dajian Li under the "knowing receipt" doctrine (*Barnes v Addy*), as the mined tokens were deposited into his F2Pool accounts.

The Court bifurcated its analysis between the physical hardware and the newly minted tokens. For the physical hardware, the Court applied the principle from *Black v S Freedman & Co*:

"Where money has been stolen, it is trust money in the hands of the thief, and he cannot divest it of that character." [980]

Justice Attiwill concluded:

"I find that 3V held the Yimiao Machines on constructive trust

(institutional) for Yimiao upon the principles in *Black v S Freedman & Co* on and from 25 July 2022. 3V misappropriated the Yimiao Machines." [982]

However, the Court reached a different conclusion regarding the newly minted Dogecoin and Litecoin. While 3V breached its fiduciary duty as a constructive trustee by using the machines for its own profit, the resulting cryptocurrency was not trust property at the exact moment of its creation.

Quoting *Grimaldi v Chameleon Mining NL [No 2]* and *Hospital Products Ltd v United States Surgical Corporation*, the Court explained that under Australian law, the trust imposed over profits generated in breach of fiduciary duty is a *remedial* constructive trust, which only comes into existence upon a court order:

"The imposition of such a constructive trust is remedial, not institutional. In *King v Fister*, the Queensland Court of Appeal stated that a 'remedial constructive trust is, as its name suggests, one imposed by way of remedy in order to do equity. It is a trust imposed by the court and arises at the time of the making of the order'." [1007]

Consequently, because the cryptocurrency was not classified as institutional trust property at the time it was received by Dajian Li's wallet, the cause of action for knowing receipt failed:

"As a result, any receipt of the cryptocurrency by Mr Dajian Li did not involve the receipt by him of trust property. The cryptocurrency was not trust property when it was misappropriated by 3V or when it may have been subsequently received by Mr Dajian Li… To the extent the cryptocurrency may be the subject of a constructive trust, that constructive trust would be remedial rather than institutional, and thus would not apply to the cryptocurrency until the time of this Court making an order to that effect. The claim against Mr

Dajian Li must be dismissed." [1008]

The distinction between institutional and remedial constructive trusts highlights a notable divergence between Australian equity and English law. English courts have rejected the concept of the remedial constructive trust. In *FHR European Ventures LLP v Cedar Capital Partners LLC* [2014] UKSC 45, the UK Supreme Court held that unauthorized profits or bribes obtained by a fiduciary are held on an *institutional* constructive trust from the moment of receipt.

If the *Yimiao* facts were adjudicated in the UK, or in jurisdictions that strictly follow English equity such as Hong Kong, the DIFC, or the ADGM, a court would likely determine that the newly minted cryptocurrency was held on an institutional constructive trust immediately upon generation. Under that framework, the tokens would constitute "trust property" upon deposit, potentially satisfying the necessary elements for a "knowing receipt" claim against the director. The Australian retention of the remedial constructive trust for fiduciary profits creates a temporal gap that limits third-party recipient liability prior to a court order, a framework that contrasts with the approaches in the UK, HK, DIFC, and ADGM.

Conclusion

As digital asset operations mature, *Yimiao Australia v 3V Development* outlines the application of common law frameworks to hardware misappropriation and cryptocurrency generation. The Victorian Supreme Court's rigorous approach to the quantification of damages, combined with the jurisdictional variances identified in equitable tracing and trust doctrines across the UK, DIFC, ADGM, and Hong Kong, confirms that digital asset recovery requires a jurisdictionally tailored strategy.

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